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# THE ROUND TABLE

QUARTERLY REVIEW OF THE POLITICS OF THE  
BRITISH COMMONWEALTH

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# THE ROUND TABLE

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BRITISH COMMONWEALTH

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## NAVIES AND THE PACIFIC

THE late Lord Salisbury, who was Foreign Secretary and Prime Minister from 1895 to 1902, used to say "Never enter an international conference until you have reached a basis of agreement." He knew that the publicity that inevitably attaches to international conferences would immensely increase the evils of failure to agree, and that unless the statesmen could assure themselves beforehand, through the ordinary channels of diplomacy, that a basis of agreement was in sight, it was unlikely that the compromises necessary for an accord would be possible once they had taken up their positions in public. The truth of Lord Salisbury's aphorism has certainly been vindicated over and over again since the last war.

To the Salisbury doctrine, however, might well be added another, "Never enter a disarmament conference until you have first reached political agreement." For armaments are but the instruments of national policy, and unless there is agreement about policy there will certainly be no agreement about the instruments with which policy is made effective. The truth of this can be seen by contrasting the results of the Washington Naval Conference of 1921-22 with those of the World Disarmament Conference. The Washington Conference made a political settlement about the Pacific and the Far East, and a naval accord was then reached without much difficulty. No political agreement, however, was reached about the Mediterranean at the Washington Conference or about Europe at the World Disarmament Conference at Geneva, and in both cases the result was failure to agree about armaments also.

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The success of the forthcoming naval conference wholly depends, in our view, on whether agreement can be reached about the underlying political problems. In this article, therefore, we propose to discuss in the first place the political issues; for the technical problems will largely solve themselves if there is agreement about policy.

### I. THE WASHINGTON TREATIES

THE Washington naval agreement was based on three political agreements. The first was that there should be "parity" between the British and the American navies. The second was that arms and fortifications should be so limited that Japan, the United States and the British Commonwealth should each have "security" in its own waters. The third was that the territorial integrity of China and the "open door" there should be maintained. Let us consider each of these points in a little detail.

The only grave difficulty that has arisen between the United States and Great Britain has been over the "freedom of the seas." Naval power can be used only in two ways, to protect trade routes and to put economic pressure on the enemy by interrupting its trade with the rest of the world. From a period before the foundation of the United States, Great Britain, as the principal Power on the seas, had used her navy, to the utmost extent permitted by international law, to bring pressure on her enemies, especially Napoleon, by means of the blockade and its ancillary operations. The United States, as a commercial nation, had been—except during her own civil war when the North blockaded the South—the principal champion of the rights of neutrals as against belligerent interference with trade. During the world war the situation gradually became intolerable for the United States. In their struggle with Germany the allies steadily extended belligerent rights to conform to the conditions of the modern world,

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against the constant protests of the United States, until the German submarine campaign against neutral trade forced her to abandon neutrality altogether and to enter the war on the allied side.

But although, after she became a belligerent, the United States adopted without hesitation all the methods of interfering with neutral trade that had previously been used by Great Britain, President Wilson and American opinion never forgot their experience during the early part of the war. The second of Wilson's fourteen peace points provided that there should be :—

Absolute freedom of navigation upon the seas, outside territorial waters, alike in peace and in war, except as the seas may be closed in whole or in part by international action for the enforcement of international covenants.

Great Britain refused to discuss this question with Germany at the Peace Conference, though she declared her willingness to discuss it with the United States after the Conference was over. The Senate's rejection of the League of Nations made the attainment of the Wilsonian solution impossible. Accordingly, after the armistice, the United States resumed the gigantic naval building programme that she had suspended on her entry into the war, with the avowed purpose of giving herself a navy so predominant as to deter any belligerent from treating her trade, when she was a neutral, as it had been treated from 1914 to 1917. Just before the calling of the Washington Conference Great Britain and Japan both began to build in reply, and it was this incipient competition, coupled with the growing tension between Japan and the United States in the Pacific and with the post war slump, that led to the calling of the Conference.

The first political decision taken there was that Great Britain and the United States accepted parity with one another because they had no political quarrels ; that the size of battleships should be standardised at 35,000 tons

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with 16 inch guns, and that their number should be reduced, by breaking up older vessels, to 15. The Conference failed, however, to reach agreement about the numbers of cruisers (though it was settled that their maximum size should be 10,000 tons armed with 8 inch guns), because there seemed to be no means of reconciling the cruiser needs of a single compact and almost self-contained country like the United States with the needs of a Commonwealth scattered over the five oceans and entirely dependent, as far as Great Britain was concerned, on keeping open the sea ways for its food supplies. This failure to determine the number of cruisers to be possessed by each country led, a few years later, to the abortive "Coolidge" naval conference at Geneva and in 1930 to the successful London Treaty, which prolonged the life and laid down rules for replacement of battleships and settled the cruiser question by allowing the United States rather more 10,000 ton cruisers than Great Britain, and Great Britain a rather larger total cruiser tonnage, so as to give her the number of small cruisers then needed for the protection of her trade routes.

The freedom-of-the-seas issue was shelved at the Washington Conference; but it was shelved mainly because the attitude of the United States on the subject of neutral rights had been changed by her own conduct after she had entered the war, and by the fact that she now had a navy as powerful as that of Great Britain.

The second main political agreement made at Washington in 1922 was that arms should be so limited as to give "security" to the three main naval Powers in the Pacific. This arrangement replaced the Anglo-Japanese Treaty of Alliance of 1902, whereby, if either Power were at war with more than one other Power, the other would come to its assistance; an alliance which had given security to both countries and stability in the Far East. The Anglo-Japanese alliance was renewed in 1905 in a modified form, and a clause was later added excluding the United

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States from its scope. But after the end of the world war American opinion became convinced that in the event of an Americo-Japanese war over China, which at that time was regarded as a possibility, Great Britain would inevitably be drawn towards her ally and therefore against the United States. The United States Government made the ending of the alliance, and its replacement by a multilateral treaty directed against nobody, a condition of the suspension of its own building programme, and the Canadian Government insisted that agreement with the United States was the essential condition of its own support of a Pacific settlement. Accordingly, with the consent of Japan, the Anglo-Japanese alliance was brought to an end and was replaced by two other treaties. The first was a naval treaty whereby the ratio between the navies of Great Britain, the United States and Japan was settled at the figures 5 : 5 : 3, and Great Britain undertook not to fortify Hong Kong, the United States undertook not to fortify Hawaii, and Japan undertook not to fortify the ex-German islands she had acquired under mandate, and certain other islands in the north Pacific. This meant that none of these navies could, in effect, fight a fleet action with any of the others in the Pacific, because their bases were too far apart. It gave, therefore, security to Japan in the north-west Pacific, to the United States in the north-east Pacific, and to the British Commonwealth in the Indian Ocean and the south Pacific. The second treaty was the Nine Power Treaty between the United States, the British Commonwealth, Japan, China, France, Italy, the Netherlands, Belgium and Portugal, agreeing :—

1. To respect the sovereignty, the independence, and the territorial and administrative integrity of China ;
2. To provide the fullest and most unembarrassed opportunity to China to develop and maintain for herself an effective and stable Government ;
3. To use their influence for the purpose of effectually establishing and maintaining the principle of equal opportunity for the commerce and industry of all nations throughout the territory of China ;
4. To refrain from taking advantage of conditions in China in order

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to seek special rights or privileges which would abridge the rights of subjects or citizens of friendly States, and from countenancing action inimical to the security of such States.

At the same time Japan voluntarily agreed with China to restore the old German port of Kiaochow, which she had captured during the war, and the province of Shantung.

The Washington treaties, therefore, settled the Anglo-American and the Far Eastern problems by accepting, as basic political principles, naval parity between Great Britain and the United States, "security" for the three principal Powers in the Pacific, and the integrity of China and the "open door." Once these principles were accepted the completion of technical naval agreements was not very difficult, and the solidity of their foundation can be seen in the fact that the treaties have remained in force, despite some criticism on all sides, for nearly thirteen years.

## II. A CHANGED WORLD

BEFORE dealing, however, with the changes that have taken place in the Far East since the Washington treaties were signed, it is necessary to make a brief survey of the changes in the world as a whole; for the Pacific question is inseparably bound up with world problems.

The international world, for fifteen years after the great war, accepted the concepts that underlie the League of Nations. It was an age when, in theory at least, the nations accepted the thesis that all nations were members of a single family represented in the Assembly of the League, that they ought to settle their disputes by the pacific means provided in the Covenant, and that security should be assured by collective action against an aggressor rather than by great national armaments. The League idea, indeed, had been extended to the Pacific and the Far East by the Nine Power Treaty, to which reference has already been made, and by

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the Four Power Treaty, also signed at Washington in 1922, whereby the United States, the British Empire, France and Japan undertook to hold a joint conference should a controversy develop, arising out of any Pacific question and involving their treaty rights, which could not be satisfactorily settled by diplomacy and was "likely to affect the harmonious accord now happily subsisting between them."

The authority of the League concept, however, was profoundly weakened by the refusal of the United States and Russia to join. It is now clear, moreover, that its authority largely rested on the facts that the victory of the allies had been so decisive as to prevent, except in Turkey, any effective opposition, and that the stability of the Versailles settlement in Europe was guaranteed by the overwhelming military preponderance of France and her allies.

It is quite plain to-day that—however much they may value the League as a centre for international conference—the nations have very little confidence that it can guarantee their own security. The security system contemplated under the Covenant has broken down, partly because the abstention of the United States has undermined the efficacy of the collective sanctions provided under Article 16, partly because the rise of Nazi Germany has alarmed the whole world about the policy she would adopt if she had equality in armaments, partly because France has been unwilling to give "equality" in armaments to Germany without collective guarantees equal in military value to the arms preponderance that she would surrender, and partly because Japan threw over League principles and the Nine Power Treaty with impunity when she set up the State of Manchukuo and left the League. Neither in Europe nor in the Far East is there any confidence that all nations, or even the majority of the great civilised Powers, will live up to the principles and obligations on which the League of Nations rests, and therefore that if an aggressor State resorts to war its

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victims can rely upon collective action rather than upon their own national armaments for protection.

The inevitable result of these political uncertainties has been the atrophy, if not the breakdown, of the Disarmament Conference. As we have already pointed out, it is the lesson of history that political agreements must precede disarmament agreements, and as it has been impossible hitherto to arrive at a political agreement between France and Germany, or in the Far East, or for really effective collective security, the Disarmament Conference itself has so far failed. There have been two important consequences of this failure. The first has been that, as the re-arming of Germany and Japan has become apparent, almost all Powers have begun to consider their own security in terms of their own armaments and therefore to re-equip and extend those armaments. The re-armament in France, Italy, Russia, the United States and now in Great Britain, which has been the last of the great nations to act, has been very considerable.\*

The second consequence has been a re-definition of the attitude of Great Britain to Europe. This was contained in a speech by the Foreign Secretary, Sir John Simon, in the House of Commons on July 13. The essence of that speech was his statement that in approving the Franco-Russian proposal for an "Eastern Locarno," based on the same mutual principles as the Locarno treaties of 1925, Great Britain was entering into no new commitments.

I wish (said Sir John) to repeat it again most plainly and bluntly to the House and the country. We have made it entirely plain from the beginning, whatever may be the interest or encouragement which this country may be prepared to offer to this new pact, we are not undertaking any new obligation at all. That is quite clearly and definitely understood, and there is no possible question or challenge about it.

Sir John further went on to make a special reference to Belgium.

\* See p. 863.

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Of course (he said) the integrity of the territory of Belgium is no less vital to the interests and safety of this country to-day than it has been in times past. This is a geographical fact which nothing can change. Indeed, changed conditions, especially in connection with the air, have not altered that historic fact at all. They have only served to emphasise it. That is the point of view of our own national security. But here again it is the mutual character of the original agreement signed at Locarno, dealing among other things with the frontier between Belgium and Germany, which constitutes its essential feature and makes it so valuable a guarantee of European security as a whole.

This speech, coupled with M. Barthou's negotiations in eastern Europe and with the apparent intention of Russia to join the League of Nations in September, establishes that differentiation between the world collective system and the primary security system of Europe for which we have often pleaded in these pages. France has long and not unnaturally sought to identify the League of Nations with her own military arrangements for the enforcement of the Treaty of Versailles. This review has frequently expressed the opinion that there was no hope of re-creating the true world League, as originally conceived, so long as the League was identified with the internal politics of Europe or the Treaties of Trianon or Versailles. It has also expressed the view that, while under the Locarno treaties Great Britain had undertaken a special commitment in her own interest for the preservation of the western frontiers (corresponding to the pre-war guarantee to Belgium), her place was in the world system rather than the European system; and that the countries of Europe would never contrive their own security system—parallel to the system of the British Commonwealth, or the Pan-American Union and the Monroe doctrine, or the Washington treaties in the Pacific—so long as there was any hope of getting Great Britain to underwrite the security of Europe for them. That this view has been sound seems now to be proved by the fact that France, Italy, Russia and the members of the Little Entente are now coming together in order

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to ensure by appropriate military arrangements that the European treaty settlements shall not be upset by force, but only by consent arrived at by the collective machinery centred at Geneva.

That does not mean, of course, that Great Britain or the British Commonwealth or any of the other signatories of the Kellogg Pact can disinterest themselves in European questions. War or the threat of war anywhere is their vital concern. But it means that "security" in Europe, in the shape of automatic regional military arrangements that can be put into operation at a few hours' notice, is now recognised to be primarily Europe's own concern. The importance of this development lies in the fact that, inasmuch as Great Britain is in any case not equipped to take part in military sanctions, it sets her free to take the lead in organising those world economic sanctions, based on sea power, which are the essential basis for any world collective system.

### III. UPHEAVAL IN THE FAR EAST

LET us now consider events in the Far East since the Washington treaties. In the last dozen years two major changes have come about. The first is that China has taken far longer to organise a stable government than was, perhaps, assumed in 1922. Things are better in China than they were a few years ago, but the authority of the Nanking Government in many provinces is still very weak. The second has been the triumph of the militarist party in Japan over the older liberal and constitutional parties. That triumph began with the Mukden *putsch* in September, 1931, and has led by inexorable logic to the conquest of Manchukuo, its establishment as a State under Japanese control independent of China, and finally to the withdrawal of Japan from the League.

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It is not the purpose of this article to estimate the rights or wrongs of the Manchukuo episode. There is much to be said on both sides. The root of the trouble was a dualism in Manchuria which, as the Lytton Commission pointed out, could not continue. If the League of Nations had been invoked two years earlier the Lytton proposals might have been adopted. The serious part of the affair was the way in which the change from an impossible situation was made. Japan, under the impulsion of the military clique, ignoring her obligations under the Four and Nine Power Treaties and under the Covenant, took the law into her own hands, thereby compromising her own honour and giving a fateful blow to prospects of making a success of the League system—that is to say to the hope of substituting a pacific for a warlike method of bringing about international political changes.

On the other hand, the Manchukuo affair has given mankind a useful object lesson in the practical realities that must underlie the collective system, especially in the field of sanctions. It is now clear that the economic and other "sanctions" contemplated under Article 16 are illusory guarantees, at any rate against a great Power, unless the whole of the rest of the world or at least all the other great Powers concerned are willing to put them in force, and unless when they do put them into force they are prepared to see them through, if necessary, to the point of war. Sanctions, if they mean anything, mean the coercion of a sovereign State by force, in the interests of peace or international justice. The fact that sanctions have to be applied implies that the State in question will only yield to necessity. It will yield only if it is convinced that the force it may have to encounter is irresistible and will be used, if necessary, to the limit. As Mr. Baldwin said in the House of Commons on May 18,

There is no such thing as a sanction that will work that does not mean war; or, in other words, if you are going to adopt a sanction you must be prepared for war.

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Japan, driven as she thought by the necessities of the local situation, became convinced that the League Powers and the United States would not resort to coercion to prevent her occupying Manchuria. Japan's judgment on the point was proved correct ; the collective system in the Far East was shown to be impotent to protect China or prevent the establishment of Manchukuo against a Power which in the last resort was apparently prepared to carry through its policy by force against any opposition. The only condition that might have produced different results would have been a readiness on the part of the United States and Great Britain, backed by the other principal members of the League, to insist (if need be by force of arms) on the settlement of the question by the pacific procedure provided by the treaties. But there was no such readiness, so far as can be judged, anywhere, even in the United States ; and the facts that the President could not commit the country to warlike action save with the consent of the Senate, and that the United States was the only country that could exercise effective coercive power in the Pacific, made the rest of the world and especially Great Britain hesitate to take the lead in applying sanctions.

Have these events destroyed the political basis of the Washington treaties ? They have certainly destroyed the stipulated integrity of China so far as Manchukuo is concerned. They have led Japan to abjure the principles of the League, and to withdraw from its membership. Have they made Japan abandon her support of the "security" arrangements of the Washington treaties and of the integrity of China (apart from Manchukuo) and of the "open door" there ? That is the vital question.

Japan, it seems, has now based her economic future broadly on turning the raw materials of Manchukuo into manufactured articles in Japan and selling them in the immense potential market of China. As an economic system nobody has any objection to this, provided it does not carry with it the establishment of political control in

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China itself, or the nullification of the principle of the "open door" for the trade and commerce of all foreign nations on equal terms. But does the success of the military party imply that Japan means to give effect to the unofficial programme that was recently outlined for establishing political control over China proper and for giving herself exclusive commercial privileges there, and that she means also to challenge the right of the United States and the British Empire to "security" in their own zones in the Pacific?

The onus of decision rests on Japan. The United States and the British Empire are willing and anxious to abide by the entirely sound political ideals underlying the Washington treaties. They cannot give official approval to the separation of Manchukuo from China, except with the consent of China itself, but it is now clear that they are not going to take action about it. But does Japan, apart from the Manchukuo question, stand by the principles of the Washington treaties or not? If so, naval agreement will be easy. If not, it will be impossible.

The problem falls into two halves. First of all there is the security question. Obviously neither the United States nor the British Empire is going to agree to a naval ratio that will enable Japan to attack Hawaii or Singapore with any prospect of success. Neither Hawaii nor Singapore in any way menaces Japan. With her existing ratio and the non-fortification of Hong Kong and the Pacific, she is complete mistress in Far Eastern waters. As the Manchukuo incident showed, she has full security already. The  $5:5:3$  ratio is quite misleading as a formula. The figures by themselves make it look as if Japan had an inferiority in the Pacific. The truth is that it gives her superiority in Far Eastern waters. It is quite impossible for Great Britain to maintain more than a small part of her fleet in the Pacific, for she has neither adequate bases nor can she leave her home waters unprotected. Moreover, Singapore is 3,000 miles from Japan. It is equally impossible

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for the United States to denude the Atlantic altogether, and Hawaii is also over 3,000 miles from Japan. On the other hand, the whole of Japan's power is in the Pacific. The Washington ratio gives each supremacy in its own zone, and in the debatable area in the mid-Pacific the ratio is not  $5:5:3$ , for the United States, the British Empire and Japan, but something like  $4:2:3$ . If, therefore, Japan seeks to increase her ratio in terms of striking power at a distance, the only answer is for Great Britain and the United States each to lay down two ships to one against her.

The second half of the problem, namely the China question, is more difficult. It is probably true to-day that public opinion in the United States and the British Empire would not regard the integrity of China as a *casus belli*, as they would regard a challenge to Hawaii or Singapore. China was given a wonderful chance in 1922, and has not made a great deal of it. Primarily every nation must stand on its own legs. On the other hand, the Anglo-Japanese alliance was based on the principle of the integrity of China, and any attempt to establish political control over China and to close the open door would be a further breach of the treaties and of the collective system—a state of affairs which would certainly arouse strong feeling everywhere and might lead to an effort to mobilise the rest of the world into taking some kind of collective action. It would seem to be the wise policy for Japan to continue to accept the Washington principles. The fundamental position of Japan, if she carries her expansionist policy too far, is not strong. No nation can easily maintain the largest army, the largest navy and the largest air force in the Far East, and at the same time challenge the antagonism of Russia, the hostility of a great part of China, and pressure from the United States, Great Britain and the other signatories of the Nine Power Treaty. On the other hand, the Washington treaties give her ample security for the future. Nobody questions that Japan has a special position in the Far East,

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and her costs of manufacture to-day are so low that without any preference at all she can probably undersell the West in China in the goods on which she specialises.

There does not, therefore, seem to be any serious reason why a political agreement should not be reached, reaffirming for a further period the three basic principles of security, the integrity of China and the open door. If so, there need be no real difficulty about arriving at a naval agreement covering ratios, replacement, "tonnage and gunnage" in the Pacific. Such an accord would save all three Powers from a gigantic expenditure in new and competitive vessels, and would make possible the continuance of those friendly relations between the United States, Japan and the British Empire which alone can ensure peace in the Pacific.

### IV. THE FREEDOM OF THE SEAS

THE Far Eastern question, however, is not the only issue involved in the forthcoming naval negotiations. There is also the Anglo-American question. There is no desire on either side of the Atlantic to depart from the principle of "parity," accepted in 1922, difficult as the adjustment of cruiser ratios may be between countries so differently situated as the scattered British Commonwealth of Nations and the compact United States. But the situation has none the less changed since the treaties of 1922 and 1930 were signed. At both these dates there was still no serious risk of war between any of the great Powers. Germany was disarmed; Japan was still faithful to the Shidehara policy. But to-day it is different. There is risk of war in Europe, and there is risk of war in the Far East. The risks may not be very imminent, but they are there. The British Cabinet has been forced to abandon its old instruction to the fighting services that they could base their plans on the assumption that Great Britain would be engaged in no major war for the next ten years.

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This fact of the renewed risk of war introduces a new element into Anglo-American relations. There is no dispute of any serious kind between the United States and Great Britain (save the minor vexation of the war debts), but if either country becomes involved in war or in economic sanctions while the other remains at peace, there immediately arises the dangerous issue, concerning interference with neutral trade, that is represented by the words "the freedom of the seas." It is this issue which on three occasions has brought Great Britain and the United States to war (1812) or to the verge of war, in 1863 over the *Trent* affair, and between 1914 and 1917.

It is the policy of the United States, as Mr. Norman Davis officially declared at Geneva recently, "to keep out of war." But she can only do this with any real prospect of success so long as Great Britain keeps out of war. As Mr. Walter Lippmann has put it, experience shows that the United States can keep out of local wars, but that she cannot keep out of world wars. What is a world war? Any war in which Great Britain is involved with another great Power. And it is now true also in reverse, for if the United States were to become involved in war in the Far East while Great Britain was at peace, and began to interrupt British trade, the same dangerous issue would arise.

The fact, therefore, that there is once more risk of war in the world means that agreement on "parity" no longer suffices. It is necessary to consider how we are to deal with the situation that will arise if either country becomes involved in war or in economic sanctions when the other is neutral. It is no remedy for either to try to outbuild the other; for the problem does not arise from the ratio between fleets, but from the necessities of naval blockade. On the other hand, it is not a situation that can be allowed to drift either in Washington or London, for the possibilities are too dangerous. Another war in Europe or the Far East might not end civilisation. But a quarrel between the two

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leading democratic nations in the world would be a blow from which civilisation would not easily recover.

The key to the solution seems to us to lie in the Kellogg Pact. All the signatories of that Pact, including the United States, have renounced war as an instrument of national policy. In August, 1932, Mr. Stimson, then Secretary of State, interpreted the Pact as meaning, not only that any war in violation of the Pact must necessarily be a matter of concern to the United States, but that it was difficult to see how any signatory of the Kellogg Pact could be "neutral" over a breach of the Pact or could claim the right to trade with a violator, as against those who were defending themselves or taking sanctions against him. This position has been more formally recognised in the declaration made by Mr. Norman Davis at Geneva in May, 1933, on behalf of President Roosevelt, though there is some doubt about the attitude of the Senate towards it. The declaration reads as follows :—

We are ready not only to do our part towards the substantive reduction of armaments but, if this is effected by general international agreement, we are also prepared to contribute in other ways to the organisation of peace. In particular, we are willing to consult the other States in case of a threat to peace, with a view to averting conflict. Further than that, in the event that the States, in conference, determine that a State has been guilty of a breach of the peace in violation of its international obligations and take measures against the violator, then, if we concur in the judgment rendered as to the responsible and guilty party, we will refrain from any action tending to defeat such collective effort which these States may thus make to restore peace.

The obligations of members of the League of Nations go somewhat further, because they are committed to taking economic sanctions against any nation that resorts to war without having first attempted to solve the dispute by the procedure for the pacific settlement of international disputes laid down in the Covenant. In both cases the practical difficulty is likely to be to decide which is the violator of the Pact or Covenant when war breaks out.

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None the less, the central fact to-day is that the United States and the British Commonwealth are under similar obligations to regard war or a threat of war, not as a lawful incident in international life with which they have no right to interfere, but as a violation of the *pax mundi*. If, in such circumstances, they can agree who is the violator of the Covenant or the Kellogg Pact, it can hardly be morally possible for either of them to supply munitions of war—a term which now covers foodstuffs and most raw materials as well as finished products—to the violator to assist him in his aggression. They might deny him this help by an embargo on exports to the aggressor. Or they might do so by a collective blockade, to prevent all trade with the rest of the world, as is contemplated under Article 16 of the Covenant. The Kellogg Pact, therefore, is in itself an immense security against the development of a local war into an Anglo-American crisis over the "freedom of the seas," and makes it far more likely that in the event of a crisis threatening war the British Empire and the United States will be able to exert a common and therefore a far more powerful influence in favour of peace or against aggression. The practical difference in future is likely to be that the United States will tend to put an embargo against both belligerents, and to be reluctant to distinguish between aggressor and "aggressed," while Great Britain will feel that, if local security arrangements are not sufficient to repel an aggressor, the world ought to use economic sanctions to compel him to give way. But that is a far less dangerous difference than the old issue about the freedom of the seas.

## V. THE NAVAL ISSUES

**W**HAT is the bearing of these political considerations on the technical naval problem? The technical problem falls into two parts. The first concerns the size of the ships. If there is no political agreement and

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every nation drifts back into basing its own security on its own power alone, the cost of competitive building will be terrific. Under the Washington treaties Great Britain and the United States are limited to 15 battleships of 35,000 tons armed with 16 inch guns. These ships, which are nearly worn out and whose life has already been prolonged, will shortly have to be replaced. They cost between £5,000,000 and £7,000,000 each. Replacement alone, therefore, means a capital outlay of between £75,000,000 and £100,000,000 for each of the two Powers. To modernise the rest of the fleet with ships of the existing size would probably cost as much again. Competitive building would add immensely to these huge costs. There is everything, therefore, to be said from the economic point of view alone, not only for avoiding competition, but for reducing the size of these gigantic fleets, so that the battleships may be limited to the minimum size necessary to enable them to deal decisively with cruisers, and the cruisers themselves may be reduced to the size necessary to deal with the armed merchantman and to cover the necessary distances between naval bases at sea.

The second aspect concerns the ratios between the various Powers. At the Washington and London conferences no agreement was possible with Italy and France, partly because they would not formally accept the proposed ratio of inferiority with Great Britain and the United States, and partly because France would not concede Italy equality on the score that paper equality would have meant Italian superiority in the Mediterranean and danger to French communications with Africa. The difficulty between Great Britain and the United States, as already pointed out, relates principally to cruiser ratios. Great Britain declares that, in a world in which there is once more a risk of war, she needs 70 cruisers as the minimum with which she can protect the vital communications and food supplies of the Empire. The United States, having no such essential overseas communications or bases, wants the cruiser tonnage

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quota fixed far lower, and wants to use whatever cruiser tonnage may be agreed mainly for 10,000-ton cruisers, which suit her needs best, but which would give her battle superiority and so destroy in the eyes of the British Admiralty the principle of "parity." The Pacific aspect of the problem has already been discussed. There is also the German claim.

As experience at conference after conference has shown, these riddles cannot be solved on technical lines. The only real solution is the kind of political agreement already suggested for the Pacific, a Franco-Italian agreement, an Eastern Locarno, and an agreement between the United States and the British Commonwealth to the effect that, while standing outside the European regional security system, they will consult together under the Kellogg Pact whenever a crisis threatening war arises anywhere. Then, and only then, will the infinite complexities involved in naval security for all become disentangled. Moreover, the question of the ratio between France, Italy and Germany will be easier to solve once it is understood that Anglo-American naval power is not to be used primarily as an instrument of national security alone but may be the ultimate reinforcement of world peace under the Kellogg Pact.

## VI. THE COMMONWEALTH AND COLLECTIVE SECURITY

**T**HREE remains the vital question of the policy of the British Commonwealth towards these vital questions—a policy which it is to be hoped will be threshed out at an Imperial Conference to be held next year. Clearly British policy will be one thing if it has been formulated in agreement with the Dominions and if they have undertaken actively to support it, and another thing if it represents a purely British view backed by the resources of Great Britain alone. In no field is this fact clearer than in the Pacific. Great Britain may be able to take her own line

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in Europe, but the policy she is to pursue in the Pacific must depend largely upon what view is taken by Canada, Australia and New Zealand, and upon what strength they are willing to organise in support of that policy. Even South Africa is concerned because her security also depends upon there being no hostile bases within the Indian Ocean.

The problem of Empire policy, in the new phase of international affairs that has arisen since risk of war has once more appeared in Europe and the Far East, falls into two main parts. The first concerns what may be called defence proper. The second concerns the collective system of maintaining peace. It may be that through the defection of further members the League of Nations will get even weaker, as a system for the security of its members, than it is to-day, and that the spirit represented by Nazi Germany and militarist Japan may extend. In that event defence will once more become a main pre-occupation of the nations of the British Commonwealth. Is each going to rely upon its own geographical position and its own armaments for security? Or are they going to enter into arrangements whereby they assure their own security by combining to assure the security of the Commonwealth as a whole? In our view the arguments for a collective defensive system are overwhelmingly strong. Speaking broadly, no unit of the Commonwealth can make itself secure by itself, and once the process begins it is inevitable that if a Dominion seeks to limit its commitment about Commonwealth security Great Britain will likewise limit her responsibility for the security of that Dominion. On the other hand the whole Commonwealth is safe from aggression, provided the integrity of France and Belgium under the Locarno treaties is maintained, provided the Singapore base is in working order and the Suez Canal is held, and provided there is friendly association with the United States and no serious difficulties arise with her over the "freedom of the seas." That is the regional security system of the British Commonwealth. But like

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all security systems it depends on collective obligations. The major responsibility will still doubtless rest upon Great Britain, who alone is likely to possess a large navy. But the effectiveness of the system depends upon confidence that each nation of the Commonwealth will assume its proper share of responsibility and maintain in good condition the preparations necessary to enable it to discharge that responsibility. In the last issue of this review\* was published an article showing how the development of air power has profoundly altered the problem of Imperial defence, and how the Dominion contribution towards a regional collective security system might now take the form of efficient air forces capable of being maintained at or proceeding rapidly to such places as Singapore. For this reason it is easier to arrange for Empire security to-day than it was before the war.

There remains the second aspect of Empire policy—its attitude to the collective system represented by the League of Nations and the Kellogg Pact. There is no doubt that the majority opinion in all parts of the Commonwealth since the armistice has pinned its hopes for the ending of war and the maintenance of national freedom on the League of Nations. It has recognised that the old method whereby each individual nation provided for its own security by its own defensive armaments spells competitive armaments, alliances and inevitable war; and that the only road to lasting security and peace is a collective system designed to secure the settlement of international disputes by pacific means to prevent war and to restrain the aggressor. Two conclusions, however, stand out from the League experience of the last fifteen years. The first is that security must primarily be organised, as M. Briand saw, on a regional basis, and that the attempts to identify the League with the local security of any region such as Europe will inevitably destroy any possibility of creating a world collective system which includes the United States.

\* See *THE ROUND TABLE*, No. 95, June 1934, pp. 490 *et seq.*

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The second is that no collective system will be effective unless it can rely on its members to bring sanctions into play to prevent violation, and that sanctions in the last resort involve acceptance of liability to go to war, but for an international as opposed to a national purpose. Otherwise, would-be aggressors will feel that they can violate their engagements with impunity (as Japan did in occupying Manchuria without invoking the procedure of the Covenant or the Four Power Treaty); disarmament will be impossible, because every nation will feel that in practice it must rely on its own armaments or alliances; and pacific procedure for the settlement of disputes will have yielded once more to the "power-politics" of the pre-war age.

The practical issue, therefore, that now confronts the Commonwealth is how far its members are prepared to give material as opposed to sentimental support to the world collective system, on the assumption that Europe creates its own regional security arrangements and that Great Britain's only automatic commitment to action of a military kind in Europe is under the Locarno treaty and the Straits convention. Are the Dominions, for instance, as well as Great Britain, prepared to sever economic relations with any State that is declared to have violated the Covenant or the Kellogg Pact, and to maintain the forces capable of making such sanctions effective, even if they lead to war through the retaliation of the aggressor, provided other nations do so also? If they are, there is a good chance that a centre of gravity will be created in the world, including the United States, which will be a powerful assurance both for pacific settlement and for security, and therefore against a competition in armaments. If they are not, the system represented by the League and the Kellogg Pact will gradually weaken and disappear, and the Empire will have to depend for its security on its own armaments in an armed, competitive and combative world.

All these questions are inextricably involved in the issues that are due to come up for settlement at the naval con-

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ference next year. If the nations of the Commonwealth cannot agree upon a common policy and upon the steps that each is to take to make it effective, and if the United States and the British Empire cannot agree about their Pacific policy and their attitude under the Kellogg Pact, then the deterioration in the international situation that began with the Manchurian episode is likely to continue, with grave peril to each and all of them, and the eventual certainty of war. But if they are prepared to face the issues fearlessly, and agree upon the measures necessary to make their policy effective, the English-speaking peoples or even the nations of the British Commonwealth alone can ensure that there can be no successful militarist intervention in that great oceanic zone in which liberty and democracy and the settlement of disputes by pacific methods are still the rule of life ; and they will be able, in addition, to exercise under the Covenant and the Kellogg Pact a decisive influence for peace and fair dealing wherever war or aggression threatens the peace of the world.

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Socrates loquitur :

*Then comes the famous request for a bodyguard, which is the device of all those who have got thus far in their career as dictators—"Let not the people's friend," as they say, "be lost to them." . . . But once he has overthrown his many rivals, this same friend is to be seen standing up in the chariot of the State with the reins in his hand, no longer leader but dictator absolute.*

Plato, *Republic* (Ed. Steph. 566)

IN those carefree days before 1914, a young scholar of Balliol won the Gaisford prize for Greek prose with an admirably vivid and entertaining pastiche entitled "Herodotus at the Zoo." If in a sterner age the examiners are in search of a subject, they might care to consider "Plato at Olympia." For between that gathering of fascists and the experiences in the Greek world that helped to mould the political thought of Plato, the differences are superficial, the likeness fundamental. The glare of searchlights, the batteries of cinematograph cameras, the threadbare melodies of "Merrie England," even the bevy of *dé-sœuvrées* Society maidens, are the exclusive possession of the twentieth century. But these are only the paraphernalia of propaganda, and every age has its own methods. What matters is the speaker's creed and the arguments with which he supports it: and there we revert to antiquity. There is the bodyguard recruited from professional bruisers, veterans from the wars and dreamy youths. There is the same appeal to the victims of economic misfortune, the old claim to protect them against an insidious

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enemy, the "slimy financier"\*\* or the "red hooligan,"\* the familiar tirade against the incompetence and dishonesty of the leaders of every other political group and the inefficiency of the ruling political system, the same promise of a new heaven and a new earth. And, by way of interlude, short shrift, in the sacred name of freedom of speech, for all interrupters. Certainly Plato, descending suddenly on Olympia, might well have thought that Time had wrought little change in the minds of men or in their political philosophy.

Yet if he remained amongst us and by question and answer endeavoured to reveal every facet of the truth concerning our political life and the new movement that had entered it, he would find much to astonish him. He would observe that fascism was not an indigenous growth but, like the red hooligan, was "cast up on our shores." He would see here, as in Fascist Italy or Nazi Germany, the glorification of youth—"vital and determined youth" with its "dynamic urge"—combined with the idealisation of an earlier society long since perished. It would not escape him that the movement, in a nation so rich in political traditions as our own, was driven to seek its symbols of "the strength of unity" and its pattern of an ideal society not in its own national past but in the history of Imperial Rome. Nor could he fail to discover that this movement to subvert our political institutions, as the manifestation of a creed outworn, had come into being at a time when the general estimate of those institutions in the outside world had never stood so high.

The Platonic bewilderment at these discoveries is doubtless shared by many readers of *THE ROUND TABLE* here and overseas. That is the justification for this attempt to examine the history of the fascist movement in England, the ideas that it advocates and the reasons for such success as it has achieved.

\* These phrases, and most of the other quotations in the article, are taken from the speeches and writings of Sir Oswald Mosley.

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### I

THE British Union of Fascists was founded by Sir Oswald Mosley in 1932. It was not the first organisation in this country, nor is it even now the only one, to use the name Fascist. There are at least four such bodies, of which two were founded more than ten years ago, in the first glow of enthusiasm after the march on Rome. All these organisations wear the black shirt as a distinguishing uniform, and they are all, unlike their famous progenitor, anti-Jewish. They appear to have nothing else in common, except mutual incompatibility. The British Union of Fascists is not Sir Oswald Mosley's first experiment in the formation of an independent political group. It is rather the culmination of what for so young a man is a long and variegated career in politics. Sir Oswald Mosley first entered Parliament in 1918 as the Coalition Unionist member for Harrow. He was re-elected in 1922 as an Independent and in 1923 as an Independent pledged to general support of the Labour party. In 1924 he stood as official Labour candidate for the Ladywood division of Birmingham and was defeated, but he came back for Smethwick at a by-election in 1926 and again at the general election of 1929. In that year he entered the Government, and worked as assistant to Mr. George Lansbury in preparing plans for dealing with unemployment. A year later, finding timidity and conservatism where he had hoped for revolutionary activity, he resigned from the Government and the party and formed the New Party. His associates in that venture were the late Lady Cynthia Mosley, three former members of the Independent Labour party in Mr. John Strachey, Dr. Forgan and Mr. W. J. Brown (the Secretary of the Civil Service Clerical Association), and that eloquent advocate of all lost causes both in and out of Oxford, Mr. C. E. M. Joad. The New Party was inspired by the discovery that "dogmas and principles form

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the bulwark behind which old men shelter themselves from the questioning of the young," but this did not save it from annihilation at the general election of 1931, in circumstances indeed in which no new party could have survived. Defections of the faithful and disruption of the party followed, and the experiment is now without interest except as the seed-bed in which some of the proposals of the British Union of Fascists were first propagated.

Sir Oswald Mosley brought to his fascist organisation both substantial assets and serious liabilities. He had youth, energy, courage, wealth and connections, an extensive political experience, considerable powers as a speaker, a flair for advertisement and the modern art of publicity. But his courage is not always distinguishable from effrontery, his changes of political allegiance have been ascribed (not only by censorious spirits) to an unstable judgment and a disappointed ambition, his eloquence is often that of the street corner, appealing to ignorance and prejudice rather than to reason. With all his knowledge of politics he has no administrative achievement behind him, and he affects a personal vindictiveness, which is as rare in our political history as it has been shown to be unprofitable, against politicians and parties whom he has abandoned. But any fascist movement needs a leader and by a kind of apotheosis must fashion for itself the image of his personality that is necessary for its spiritual comfort. Men cannot change their divinities as readily as they change their politics, and the British Union of Fascists will doubtless continue to bear witness to their faith by mass reiteration of the simple truth that M-O-S-L-E-Y spells Mosley.

To the heathen, ideas still mean more than personalities, and it is time to turn to the fascist programme. It may be divided into three parts. The first would contain the economic policy of the party, the second its proposals for rebuilding the structure of government, and the third its views on India, defence, the Empire and foreign affairs. Chronologically this whole body of doctrine has grown up

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round a certain view of the economic troubles of this country and the method appropriate to overcome them. The remedy is one that Sir Oswald Mosley imbibed more than ten years ago from Mr. James Maxton and his other colleagues in the Independent Labour party, and he has adhered to it with a touching and indeed unique fidelity throughout that period. The fascist organisation of government and society begins as a device to facilitate and expedite the realisation of the Mosleian economic policy, and although it has been given the appearance of elaboration by a liberal use of Italian models, not even its author would be likely to claim that it has been thought out in detail. Finally, since any organisation aspiring to the name of a political party is expected to have some view on every political question, chapters on India, foreign policy and the rest have been added to the programme—less, it would seem, as an extension or interpretation of fascist principles than with an eye to their probable appeal to certain influential sections of opinion.

The key to fascist economics is the belief that “the power to produce has far outstripped the mechanism of distribution” and that in consequence “nothing but the rationalised State can hope to overcome the problem created by rationalised industry.” We must in future look primarily to an extension of the home market by raising wages and salaries systematically over the whole field of industry. Admittedly our export trade and our income from foreign investments and services will suffer, but the loss will be more than compensated by greater internal prosperity. We shall need, of course, protection—not conservative but scientific protection, given only in return for definite conditions as to wages and prices. To determine those conditions and to fix the degree of protection required by any particular product we shall need commodity boards and a corporation for each industry. And then we shall have to co-ordinate the corporations, and for that we shall set up a planning council and a national corporation, which

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will really be an industrial parliament responsible only to a Minister of Corporations.

The Minister himself will be a member of the other parliament, the political parliament. But he will be in no danger, as he is to-day under our irrational and haphazard constitution, of finding himself one among 615 members of that parliament, all by profession sugar-brokers, chosen for their mastery of the electioneering art. For members of Parliament will be elected by the corporations on a professional or industrial franchise, so that to deal with the predominantly technical problems of government in the twentieth century we shall have an assembly in which every form of technique is represented, not excluding the technique of motherhood. It is true that its opportunities of airing its technical qualifications will be limited, since it will meet only at intervals "to review the work of the Government," and the principal function of its members between such meetings will be to conduct the local government of the country in place of the present local authorities. If and when the electorate, accepting the view that "in an age of urgent change, we have no time for evolutionary process," give the fascist party a mandate to carry out this programme, it will not be open to serious dispute that we shall have become a "rationalised State."

Was it admiration for this experiment in the making of constitutions that moved Lord Rothermere to describe Sir Oswald Mosley as "perhaps the greatest political teacher we have produced in our history"? Or can it have been the discovery that on India and the colonies, on defence and foreign policy they were

both warbling of one song, both in one key?

Nothing in the Leader's past suggested such a possibility. In 1928, as a member of the National Administrative Council of the Independent Labour party, he had been engaged in the drafting of resolutions for the International Congress in Brussels.

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The International reaffirms the right of India to self-government and self-determination. . . .

The International declares that the time has come to end the system of Imperialism by which one race controls the destinies of another. . . .

The International insists that, side by side with this policy to end political Imperialism, a policy must be pursued to end economic Imperialism.

In the same year, at the annual conference of the Labour party, he had spent his eloquence in support of a resolution of portentous length on world peace and disarmament. "The League of Nations," he assured his audience, "was the greatest instrument of national peace ever devised and ever agreed. That great instrument rested on three main pillars—arbitration, security and disarmament." It is difficult to account on subjective grounds for the conversion in so brief a span to views on these subjects so different as those of the spokesman of fascism. The League of Nations must now be reconstructed "in accord with the requirements of reality." It must be ruled by the great Powers and their fascist Governments. But pending the coming of the universal brotherhood of fascism, we must have an air force equal to the strongest in Europe. In our Indian Empire, there must be No Surrender, no truck with the White Paper, no pandering to the anachronistic passion for democracies and parliaments, but strong government, the open door for Lancashire and in the fulness of time perhaps even an oriental type of fascist institutions. For the colonies, systematic development by British capital and the total exclusion of foreign goods.

It will be apparent from this brief summary that the fascist programme might not unfairly be called eclectic. Something has been included for every palate, however jaded. It is not surprising, therefore, that the recruits to the movement should be drawn from all parties and from none. The small shopkeeper and the retired pensioner, both of them afraid of socialism because it is organised, sleep more soundly for the knowledge that they too form

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part, for the first time, of an organisation. Young men and women are lulled by the novelty of the movement into forgetting the disillusionment and bitterness with which unemployment has infected for so many the early twenties. The simple soul who all his life has deplored the supineness and the dishonesty of the politicians, their wriggling and their intrigues, rallies to the cause of the strong man at bay, who is determined to solve his problems rather than to circumvent them. Others, with no liking for fascism and no wish for a dictatorship, have felt that in a fight with Crippsian Labour the Mosley organisation will come into its own.

But while these are types of fascist recruits, it is probable that the movement owes less to its programme than to its organised publicity. Neither money nor imagination has been stinted in that department, and with the modern apparatus of the talking film, wireless and press photography, competent propaganda, even in the political field, will inevitably show results. Whether those results will be permanent, in this age of ephemeral enthusiasms, may well be doubted.

For six brief but glorious months in this year, fascism and its Leader basked in the genial warmth of Lord Rothermere's friendship. His newspapers gave them space, printed their articles, rhapsodised over their meetings, illustrated the Leader in all the poses of an animated existence, extolled his creed as the only solvent of our troubles. *Hurrah for the Blackshirts*, from the pen of Lord Rothermere himself, sounded the keynote. Those limpid tones were not maintained in their full purity. Here and there a doubt crept in, a misapprehension had to be removed. The world needed to be assured that fascism was not aiming at a dictatorship, that it was not anti-Jewish. As time passed, the assurances became more frequent, more laboured; fascist news slipped over to a back page, and the connoisseur in these studies can have felt no surprise when at length the idyll was shattered by the publication of the letters in which Lord Rothermere

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and Sir Oswald Mosley agreed to part. In tones of extreme gentility, resonant with mutual admiration, they revealed to the world that the Rothermere press was no longer to be in alliance with the fascist movement.

It is fair to assume that the alliance brought much gain to fascism and that its denunciation will bring much loss. Every effort had been made to turn it to account. Mr. A. W. Ivens, "O.C. Press Propaganda" in the fascist organisation, had sent a circular on January 16, marked "Strictly confidential and to be destroyed when read," to all his branch organisers and press secretaries, to direct their attention to the "stirring article by Viscount Rothermere" in the *Daily Mail* of the previous day and to instruct them to procure the writing of letters of approval to the editor of that paper. "Of course," said Mr. Ivens, "these letters supposedly are written by readers quite unconnected with the B.U.F.," and after this warning he ended with an exhortation to his officers to "put vim into this campaign." They appear to have responded nobly, but perhaps their letters were in the end overweighted by other letters from other users of the paper, who were neither connected with nor interested in fascism. However this may be, when the end came, Sir Oswald Mosley may well have been reminded of the words which he himself wrote in 1926 in the *New Leader* after his victory at Smethwick:—

Smethwick has been the Waterloo of the Press Lords. They have used every weapon in their armoury and they have failed. On Sunday last Lord Rothermere sadly commented that Smethwick was the end of Democracy. He was wrong. Smethwick is the end of Pressocracy. . . . Smethwick proves that the majority of our population have ceased to believe a single word that they read in the Capitalist Press. . . . These Press Lords died self-slain.

### II

**I**F fascism is to survive in England, it will have to convince a substantial body of the electors that its policy is both desirable and practicable and that its leaders are, as they themselves assert, better men than the "old gang

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politicians." For this, something more will be needed than stunt publicity. But equally, something more will be needed to uproot fascism than the defection of Lord Rothermere. In the long run only argument will carry the electorate, and the one effective reply to an argument is to prove it unsound.

Now the doctrinal armour of fascism is vulnerable at every joint. Examine again for a moment the Mosleian economic theory. It rests on two assumptions, both unfounded. The first is that "science, invention, technique have recently increased the power to produce out of the range of all previous experience," that "the output of a man-hour or a man-day has increased to a colossal extent both here and abroad," and that in consequence "the industries of the world can to-day produce, without running at nearly their full pressure, far more than any conceivable effective demand of the present system can absorb." None of these statements could have been made by anyone who had seen the productive process steadily and seen it whole. Recent improvements in industrial technique are remarkable, but they are neither different in kind from nor greater in degree than those of earlier periods in the industrial age. While the productivity of labour has increased, the increase is not comparable with that which followed the first inventions of machinery. The exaggerations of Sir Oswald Mosley are only possible because he persists in regarding only the last stage in the production of consumers' goods, and takes no account of the elementary fact that the expenditure of capital and of running charges that enables labour to be saved in one process is itself nothing but the employment of other forms of labour. On the Mosleian theory, if a machine is introduced with which one man can make as many boots in a day as ten men previously made, we must assume that the productivity of labour has increased tenfold. If that were true, the problem whether to instal more automatic machinery, a problem with which every manufacturer is familiar, would

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not be a matter of nice calculation to be decided usually on marginal differences ; nor should we need, after the technical progress of the last hundred years, more than a fraction of the labour that in fact we require to reach the present level of production. The truth is that productivity over the whole field increases slowly, though steadily. Even in the United States of America, and even in the ten years before 1929, the average annual rate of increase in output per worker was less than 4 per cent. In the United Kingdom, on the figures that Sir Oswald Mosley himself quotes, it was little more than 2 per cent. It is to meet this that we are invited to turn the State upside down and to establish, in Coleridge's phrase, "a contemptible democratical oligarchy of glib economists."

The second false assumption proceeds from the first, and lies in the failure to understand the true relation between production and consumption. Production, so runs the argument, has outstripped consumption, and to redress the balance we must increase consuming power. In a world in which every nation sees in economic independence the highest good, we are masters only in our own house. Let us, therefore, increase the consuming power of our own population and create employment by raising the remuneration of all labour. Here is simply the old confusion between "consuming power" and what an economist has called "money spending power." To increase the "money spending power" of labour by raising wages can give no more than a temporary stimulus to production. In an organised society, just as with Crusoe on his desert island, production is not determined by consumption ; on the contrary, the consuming power of this or any other nation is determined primarily by its production. If it produces more, it will be enabled to consume more ; if it produces less, it will have to consume less. The improvement in the standard of living of our population during the last hundred years is only a reflection of the simultaneous increase in its production.

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We have dealt more fully than it deserves with the Mosleian economic theory for the reason that it has been exploited on every occasion by the fascists as a device for drumming up recruits. But even if the theory were sound and the policy based on it were the only acceptable economic policy for the country, the new political system would still be neither plausible nor necessary. Its alleged justification is that democracy, as practised through our institutions, is dilatory and ineffective. Debate is interminable, decision infrequent, action unattainable. Therefore we need the corporative State to apply the new economic policy. Earlier in this article the main organs of the corporative State were enumerated. The mere recital of what it is proposed to substitute for an effete democracy is sufficient proof that the new order is either a sham or democracy raised to the *n*th power. If your commodity boards and your corporations and your industrial parliament and your political parliament are to mean anything at all, if they are not to be merely a convenient façade for the modern tyrant, they must make demands far transcending those of our present institutions on the ability of the nation to operate a democratic system. For what is democracy but an attempt by men of different opinions to work together for a common end? Every one of these fascist institutions is so constituted as to include men of different opinions, and those institutions taken together cover not only the sphere of political administration but a wide range of industrial activities in which the State to-day has no part.

Is it surprising that the irreverent have looked beyond and behind the corporative State and uttered the word "dictatorship"? Or, to use the language of the Leader himself, that "the old wives of politics should be trying to keep the nation in bed by whispering 'bogy, bogy'?" It is related that, at one of the many meetings of the National Farmers' Union that Sir Oswald Mosley has addressed, an old farmer said that he was tempted to give the new system

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a trial but would like to know what would happen if it was found unsatisfactory. He explained that he was a dairy farmer, and many years ago had engaged a cowman on the strength of the man's own statements of what he could do. By bitter experience he had been driven to engage his cowmen by the week, so that he could sack them if they failed to live up to their claims. What was he to do if he voted for fascism and found his expectations disappointed ? The Leader, feeling, no doubt, a certain embarrassment, assured him that there could be no question of failure. "That," retorted the farmer, "is what all my cowmen say."

### III

IT will be objected, no doubt, that this criticism ignores the spiritual content of fascism, the promised transmutation of our common human clay by virtue of this new gospel into something rich and strange. We have forgotten that "the basis of the fascist idea is that Right is right," forgotten, too, that fascism "is the acceptance of new values and of a new morality in a higher and nobler conception of the universe." Has not the Leader told us that "the spirit lives ; the rest will follow" ? In other words, the same men and women who to-day flounder in the pettiness of an incompetent democracy will to-morrow direct with inspired unanimity the complex organism of the corporative State. It is a seductive prospect. Yet it fails to convince. For the plain citizen its attractions may be blurred by contemplation of this same spiritual transformation in other communities. Is it by casual omission or by design that in his catalogue of "the realities of liberty" the fascist leader has included neither freedom of speech nor freedom of thought or conscience ? The remembrance of Dr. Goebbels may conceivably raise doubts whether the denial of freedom of speech and freedom of thought leads necessarily to unanimity of purpose. Corroboration may even be found for the view that divergent

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opinions are not always a mark of decadence, that they are indeed inherent in human nature, and if their public expression is forbidden they will break out in subterranean intrigue. Better, perhaps, a cycle of democratic inconsequence than another glorious thirtieth of June.

“We invite Britain to do things in a different way,” says the Blackshirt Leader. “We seek to create the Modern Movement in Britain in a form very different from continental forms, with characteristics which are peculiarly British and in a manner which will strive to avoid the excesses and the horrors of continental struggle.” Yet he has begun as they have all begun, with Plato’s “familiar device,” the bodyguard, and the pretension to use private force for the public good. Of its essence, that is a claim in which there can be no monopoly, and the cohorts of one political group are soon found ranged against those of another. Then comes civil conflict, with the progressive degradation of human instincts, and in the end anarchy or the despotism of force. Man is nearer to the brutes than he cares to admit. If the Olympia rally served no other purpose, at least it imprinted that truth indelibly on the mind of every unprejudiced observer in the audience. The ethics of interruption at political meetings are not the issue, but the expediency of the licensed violence of political partisans. Sir Oswald Mosley is not the first demagogue in our history. But it would be difficult to find among his English forerunners in that art a parallel to the callous brutality of the comment made by this modern Cleon after the forcible ejection of a spectator who had asked an innocent question—

If anyone else wishes to interrupt I would recommend him to do so now, since you can see for yourselves that as the evening draws on interruption becomes more painful.

Herr Julius Streicher, the High Priest of the anti-Semitic orgiasts, has proclaimed that “the baptism which the Mosley movement has already received in bloody battles in public halls and streets assures it a happy future.” Men

## The Blackshirts

attain happiness in divers ways, but it argues little faith in the political sense of the British people, and scant knowledge of its political past, to imagine that by such methods and such arguments as we have described fascism can win over to its cause a majority of the electorate. By the hard road of experience through successive generations this nation has assimilated the first principles of social and political wisdom. It has learned to judge its leaders less by their words than by their works, to distrust exaggeration and to treasure fairmindedness, to reconcile the claims of exuberant youth with the less flamboyant merits of maturer age, to hate the bully and to protect the underdog. Unresponsive to general ideas or new philosophies, it is an admirable judge of what is practicable. But above all it is accustomed to think for itself and freely to express its mind. These are characteristics confined to no one class of society, to no locality and to no single party, and in this lies the strength of our political system. When a people so nurtured looks out over Europe and sees what has been so admirably described by the Dramatic Critic of *The Times* :

This is the whole lesson of the journey now ended : that the Rhine has become a rough frontier between two ways of life, mutually exclusive ; to the West, to think for oneself is a virtue ; to the East, if the violence sprung from an inferiority complex ultimately prevails over the surviving opposition, there will be created from Strasbourg to Vladivostok a prison of the mind —

when it sees this and when the other implications of the Blackshirt doctrine are made clear to it, this nation may be trusted to resolve that not only in Mr. Baldwin's sense shall the Rhine be the frontier of England and that the abiding place of fascism shall be sought beyond that frontier.

## THE FUTURE OF COLONIAL TRUSTEESHIP

### I. THE TRADITION OF A TRUST

THE term "trusteeship" is commonly used, often rather loosely, to denote the character of British rule over backward peoples. The idea of a political trust goes back to the days of Burke and the great emancipators, but, like so much else in British history, it long remained a principle or tradition unformulated in any document or expressed in any specific pledge. It was not till 1885 that the British Government, in conjunction with the other signatories of the Berlin Act, definitely undertook in one particular field—the British territories within the Congo basin in Africa—to watch over the preservation of the native tribes, and to care for the improvement of the conditions of their moral and material well-being. More recent, and of wider scope, are the formulas and pledges connected with the Covenant of the League of Nations. Article 23 includes an undertaking "to secure just treatment of the native inhabitants" of territories under its signatories' control. Article 22 declares that to the territories taken from the former German and Turkish Empires,

which are inhabited by peoples not yet able to stand by themselves under the strenuous conditions of the modern world, there should be applied the principle that the well-being and development of such peoples form a sacred trust of civilisation.

And in accepting the mandate for Tanganyika, for example, the British Government pledged itself "to promote to the

## The Tradition of a Trust

utmost the material and moral well-being and the social progress of its inhabitants"; and *inter alia* "to respect the rights and safeguard the interests of the native population" with regard to land, and to "ensure to all nationals of States members of the League of Nations, on the same footing as to (its) own nationals . . . complete economic, commercial and industrial equality." The same or similar undertakings are involved in the other mandates.

The subscription of these formulas and pledges meant no departure from the British tradition. The mandate system, indeed, was regarded as the embodiment of that tradition. It was said by high officials, with experience of both fields, that the administration of a mandated territory was no different from that of a Crown colony. And on at least two occasions the identity in principle has been officially admitted. In the White Paper of 1923 on the position of Indians in Kenya (re-affirmed in the 1927 White Paper), His Majesty's Government recorded their opinion that

The annexation of the East Africa Protectorate . . . in no way derogates from this fundamental conception of the duty of the Government to the native races. As in the Uganda Protectorate, so in the Kenya Colony, the principle of trusteeship for the natives, no less than in the mandated territory of Tanganyika, is unassailable.

And in his address to the Legislative Council in 1933 the Governor of Nigeria declared that

in Nigeria proper, as in the mandated territory, our duty is gradually to train the people so that—whatever may be the generations or even centuries that it will take—they may ultimately be able to "stand by themselves," in the words of Article 22 of the Covenant.

Nor, of course, can the extension of the principle be confined to Africa. If the principles of trusteeship are right in Kenya and Nigeria, they are right in Malaya or the South Sea islands.

It is sometimes asserted that the theory of trusteeship is a masterpiece of hypocrisy, a cloak to cover the naked

## The Future of Colonial Trusteeship

selfishness of "economic imperialism." It is true, of course, that our occupation of tropical territories was never altruistic. We wanted new supplies of raw materials and new markets for our manufactures ; and occupation was the only way to prevent these raw materials and markets from coming under the control of rival foreign Powers. But higher motives were honestly linked with the economic and political. The British humanitarian tradition is an historical fact. We did give a lead to the world a century ago in abolishing the slave trade and slavery ; and more than once since then the extension of British rule has largely, and sometimes mainly, been determined by a genuine desire to protect the peoples concerned from those and kindred evils. Not that we have ever admitted that the economic development of the tropics is necessarily injurious to the welfare of the natives, that (to quote the famous jibe) "philanthropy and five per cent." are incompatible. Wilberforce urged that the expansion of "legitimate" trade was one of the surest methods of killing the slave trade. Livingstone linked commerce with Christianity as a means of fulfilling our duty to "civilise" Africa. And it is becoming more and more obvious in these days that the execution of a "trust" for the welfare of the natives, involving as it does the provision of costly public services for their physical and social advancement, depends for its efficiency on an adequate local revenue, which in turn depends on economic development.

The nature of our economic system before the war enabled us to assert a second claim. Most other colonial Powers, including the United States, maintained a privileged position for themselves in the commerce of their colonies. We, being free-traders, disclaimed all preference on principle. Foreigners were as free as British subjects to trade in British colonies. The products of foreign colonies competed openly with those of British colonies in the British market. British interests, it is true, enjoyed some indirect advantages from the fact of British rule, but the

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value of these can be exaggerated, and the "open door" was genuinely open. And this could be pleaded as a sort of justification or excuse for the relatively large size of our colonial empire. "We develop it," said Mr. Joseph Chamberlain, "as trustees of civilisation for the commerce of the world"—a text which Lord Lugard cited, in his classical study of African administration, to illustrate his well-known doctrine of the "dual mandate"—half for the natives, half for the world.

It may be observed that, while in two of the three classes of mandated territories the "open door" has similarly been maintained, if not for the whole world, at least for the members of the League, and, by subsequent arrangement, for the United States, no reference is made in the Covenant to any such secondary trust. Now it would be plainly contrary to fact to suggest that the sole purpose and test of our policy in the tropical colonies is the interest and advancement of the natives; but there are very real dangers in giving to the term "trust" or "mandate" such a double application. For one thing, it is doubtful whether British public opinion was ever really interested in promoting world trade apart from the British share in it. We maintained the "open door" because we thought it paid us, economically and politically. For another, the second use of the term tends to blur and weaken the effect of the first. It ignores the possibility of conflict between the economic development of the tropics and the protection of the natives; whereas, of course, the danger of such a conflict is inherent in the colonial problem, and applies to the principle of trusteeship its severest test.

### II. COTTON QUOTAS AND OTHER PROBLEMS

**T**HERE can be little doubt that the British people desire to maintain the principle of trusteeship. The public interest in the centenary of the abolition of slavery shows that we are still proud of our humanitarian tradition;

## The Future of Colonial Trusteeship

and to those who look ahead it seems clear that, even in relatively backward countries, the increasing stimulant of European contact and the steady growth of education will make it progressively harder to govern or to trade with peoples who believe that their interests are deliberately subordinated to those of the ruling Power. As regards principles and methods of government, our policy still accords, on the whole, with these ideas. Constitutional reforms in Ceylon and the West Indies, the development of indirect administration in tropical Africa, the scheme of decentralisation in Malaya, and the closer attention given to education—all this and much more is inspired by an honest desire to help the peoples concerned, sooner or later according to the varying standards of their past achievement and present capacity, to stand on their own feet. The only difference, indeed, from pre-war policy is a clearer realisation that, however long it may take to reach it, some kind of self-government is everywhere the ultimate goal.

But in the economic field there have been changes since the war. The revolution in our economic system at home was bound to affect our economic ideas about the Empire as a whole. Just as in the nineteenth century, after the downfall of protection, we attempted to impose free trade on our "white" colonies—and were only prevented by the powers of self-government they had already attained—so now the natural tendency is to bring our "black" and "brown" colonies within the new system of imperial preference. M. André Siegfried, one of the British Empire's friendliest critics, prophesied a few years ago that under the pressure of world economic forces we would try to refashion our tropical Empire into a closed economic area of the eighteenth century mercantilist type\*; and that indeed is what some of our own imperial enthusiasts demand from time to time, in the belief that our economic problems can be solved by an exclusive "exploitation of our tropical estate." Nothing so drastic, of course, has yet

\* *England's Crisis*, by André Siegfried. (Jonathan Cape. 1931.)

## Cotton Quotas and Other Problems

occurred, but one or two things have been done that point in that direction.

### (1) *Ottawa Preferences*

Already at the close of the war the "open door" was no longer quite open. Differential duties were temporarily laid on the export of palm-kernels from West Africa in order to foster the manufacture of vegetable oil in this country at Germany's expense. Small preferences were also arranged between Great Britain and the West Indies and one or two other colonies. But it was not till the Ottawa Conference that the preferential principle was extended to cover almost every part of the Empire in which it was not ruled out, as it is for instance in the Congo basin, by the treaty rights of foreign Powers. The Colonial Secretary himself went to Ottawa to represent the colonies, and, speaking in the House of Commons on July 12 last, he claimed that the agreements he had secured there had not only benefited British and Dominion exporters to the colonies, but had also helped the native producers to fight the economic depression by widening and safeguarding their markets in Great Britain and the Dominions.

This article is not concerned with economic controversy nor with the effect on international relations of a closing or partial closing of the "open door." It must suffice for the moment to stress the fact that it is no longer open. There has been relatively little discussion of this aspect of the Ottawa policy; public opinion seems scarcely to have realised that, whatever its merits, it was a radical departure from pre-war principles, and that it differentiates the economic status of those colonies to which it has been applied from that of a mandated territory. We can no longer claim to be trustees for the commerce of the world. It should not be forgotten, moreover, that, while the Ottawa agreements between Great Britain and the Dominions were concluded between democratic governments representing their peoples, those affecting the colonies were concluded

## The Future of Colonial Trusteeship

by the Secretary of State on their behalf, and that, although he doubtless consulted their governments, he was in a position in most cases to put his decisions into effect, whatever local opinion might be. Only seven of the colonies are sufficiently advanced to possess legislative bodies that are not controlled by an official majority ; and in one of those, Ceylon, where the new constitution has not yet secured political harmony, the State Council repudiated an important part of the preferential agreement.

### (2) Japanese Competition

These points require still greater emphasis with regard to the recent imposition of anti-Japanese duties and quotas. On May 7 last the President of the Board of Trade announced in the House of Commons that

the Governments of the colonies and protectorates for which such action would be appropriate would be asked to introduce import quotas which, except in the case of West Africa, would apply to all foreign imports of cotton and rayon goods. . . . In the most important of the West African colonies . . . there were treaty obligations which precluded differentiation in favour of our own goods. It was for this reason that on May 16 of last year notice had been given to release the West African colonies from their obligations under the Anglo-Japanese treaty, and action there would be limited to Japanese goods.

On the face of it those measures are intended to serve no other purpose than the protection of British exports from Japanese competition : they are a move in the world-wide conflict between this country and Japan. It can be argued, of course, that the interests of the colonies—political, strategic, financial, commercial—are so closely linked with our own that any sacrifices they may make are made in a common cause. But has it been adequately recognised that it is a sacrifice for the poorer natives of the tropics to be deprived of the chance of buying cheap Japanese goods ? The Nairobi correspondent of *The Times* reported\* that

\* *The Times*, May 11, 1934

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East African opinion did not regret that the imposition of the duties in East Africa was barred by the Congo treaties.

It is felt (he wrote) that the limited native purchasing power has been used, money circulated, and trade kept alive by Japanese goods at a critical time, which would have been less probably the case with more expensive British articles. An example of such indirect benefit comes from Tanganyika, where medical officers declare that the purchase of cheap Japanese rubber shoes has done more to prevent hookworm disease than all the efforts of the health department.

It is much the same in West Africa. Hard-hit as they have been by the fall in the price of ground-nuts and palm products, the poorer natives in Nigeria are still able to buy cheap Japanese shoes or singlets, but not the more expensive British product. It is the same story in Ceylon.

A high tariff on Japanese cotton piece goods (to quote again from a correspondent of *The Times*) would not, it is believed, in any way increase the sale of the British commodity; it would merely deprive the consumer of something which he demands and is now just able to afford.

In Malaya anxiety as to the effect of the duties on the *entrepot* trade is stiffened by a traditional attachment to free trade, which in the course of last century raised Singapore from an obscure village to one of the world's great ports.

It is not surprising, therefore, that the imposition of the duties has met with some local opposition. In Nigeria and the Gold Coast, it is true, the requisite measures were accepted by the unofficial members of the Legislative Councils, but it was pointed out that, if the cost of living was to be raised in Nigeria to protect British trade, Great Britain should do more than she has done for Nigerian products. At Singapore, on the other hand, the unofficial members of Council unanimously opposed the Bill, which could therefore be carried only by the votes of the official

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*bloc.* In Ceylon, after some hesitation, which was apparently due to a desire to bargain with the British Government for the better protection of Ceylonese products in the British market, the Board of Ministers decided to withhold support from the duties, and to "leave it to the Secretary of State to treat the question as one of Imperial significance, if he desired, and to take such steps as he thought fit."\* An Order-in-Council has since been made vesting in the Governor of Ceylon power to regulate textile imports by quota.

It would be impossible (said the Secretary of State) that Ceylon should be excluded from a broad imperial policy of this kind, which is regarded as essential in the economic interests of the Empire as a whole.

It may be that this local opposition is inspired by a false or narrow conception of the ultimate interests of the colonies concerned; but in brushing it aside how much consideration has the British Government given to those interests? Mr. Runciman's announcement of the Government's decision was of a brief official character: he merely stated that, pending a settlement by co-operation with the Japanese, action must be taken to prevent their "continuously expanding their exports in our markets to the detriment of Lancashire." The Government were thus "obliged to resume their liberty to take such action as they deemed necessary to safeguard our commercial interests." As regards the colonial markets, the action mentioned would be taken "with a view to reinstating this country in the position in those markets which she held before the present abnormal period." A reasoned explanation of the Government's policy was not to be expected on this occasion; but since it was only in the colonial sections of "our markets" that immediate action was to be taken, it is strange that Mr. Runciman could not find room for a single sentence to show that anything

\* *The Times*, July 21, 1934.

## Cotton Quotas and Other Problems

but "the detriment of Lancashire" and "our commercial interests" had been considered.

### (3) *Paying for Air Mail*

A third example of new tendencies may be taken from a different field. The air service provided by Imperial Airways between London and South Africa by way of the Sudan, Uganda, Kenya, Tanganyika and the Rhodesias is aided by a subsidy which amounts this year to £246,000. Of this total Great Britain provides £100,000, South Africa £94,000, and Southern Rhodesia £10,000. The residue of £42,000 is made up by Kenya (£15,000), Uganda and Tanganyika (£10,000 each), Sudan (£5,000) and Northern Rhodesia (£2,000). Those five territories are not, like the first three, self-governing. They are all under "trust." One of them is "mandated." Their total revenues have averaged in recent years about £10 to £12 million. No doubt they share in benefits that the service confers on all the territories it traverses. No doubt, too, there are political and strategic questions to be taken into account. But the disproportion between a payment by Tanganyika, for example, of over one two-hundredth of its revenue and a payment by Great Britain of less than one seven-thousandth is marked. Sir Edward Grigg went so far as to say in the debate on the Air estimates on March 19 that "the proportion in which the subsidy is divided is an exploitation of the African taxpayer for the benefit of the taxpayer here." No one supposes, if that be so, that it was deliberately intended; but it seems doubtful if the relative utility and cost of the service to the African native and the Englishman at home were reckoned up with a due sense of our responsibility as "trustees," and it is satisfactory that Sir Philip Sassoon promised that this aspect of the question would be fully considered.

## The Future of Colonial Trusteeship

### III. A NEW POLICY

THE point to be repeated and emphasised about these three examples of our recent policy in the colonial field is that the policy is new. It assumes a different relationship between Great Britain and the colonies than that of the pre-war trusteeship, or at least a different conception of trusteeship. The old theory, as defined at the outset of this article, was that the interest of the ward was the Government's over-riding concern. Private commercial enterprise was certainly encouraged, but, broadly speaking, in the belief that it did not injure and should not be permitted to injure the peoples under "trust." We were content with the incidental indirect advantages that accrued to us from British rule. We did not ask the peoples ruled to pay for more than the local cost thereof, and when they could not meet even that, we made good the deficiency ourselves. The new policy is on other lines. It can hardly be said, perhaps, to be based as yet on any very definite theory. Things seem to have been done to meet particular needs, or to fit in with other policies, without considering their logical implications. But at least the outline of a new colonial doctrine seems to be taking shape, a doctrine that tends to regard colonial territories less as a class in themselves, and more as an integral part of the Empire, and to identify their interests more closely with those of the Empire as a whole. It suggests that their new path of progress lies in imperial co-operation. Where treaties permit, it substitutes reciprocal "Ottawa" preferences for the "open door," and with the same proviso it calls for aid in Great Britain's economic conflict with Japan. It takes for granted a subvention to an imperial air service. Going one step further, it might perhaps assert that the colonies, enjoying the general benefits, the freedom and security, inherent in their connection with the Empire, should share also in its

## A New Policy

general burdens over and above the local cost of their administration. The conception of the relationship between ourselves and the colonies, in fact, would seem to be no longer that of trusteeship, but rather that of partnership.

In principle, no one can quarrel with that. Partnership in the colonies, as in India, is the natural outcome of trusteeship. It has been said, indeed, that the separate consideration given to the colonies at Ottawa implied a rise in their status, and that the discussion of the new preferences in their legislatures was a step in the direction of fiscal autonomy. There would be more force in that if the majority of most colonial legislatures were not bound to vote in the last resort as the Colonial Secretary in London wished, and if the only important colony that possesses a real measure of fiscal autonomy, Ceylon, had not disagreed with the British Government's proposals. There is danger, indeed, in regarding peoples as partners who in fact are still only wards. It may lead to imposing on wards what partners would refuse. George III's Ministers believed themselves justified in asking the American colonies to contribute to imperial defence. The attempt to impose free trade on Canada in the eighteen-fifties was inspired by a quite genuine belief that it was good for her. To be a just judge in one's own cause demands a super-human virtue, and, if indeed such a doctrine as that outlined above is to be adopted, let us take care to define it clearly and truthfully. To talk of "co-operation" unless we are sure it is voluntary goes far to justify what is said abroad of our national hypocrisy.

We are face to face in fact with an imperial issue of quite first-rate importance. Let us recognise it as such betimes, and not allow it to be decided by a series of hand-to-mouth decisions, without thinking out the principles involved. Above all, it must not be decided without the fullest public discussion; for the final responsibility lies with the British people. The "trusteeship" for the welfare of the millions of coloured peoples is not vested

## The Future of Colonial Trusteeship

in their colonial governments. In most of the colonies the Governor can secure his end in the legislative as well as the executive field by ordering, if need be, the official majority in the legislature to vote as he directs them. But the Governor is under the instructions of the Secretary of State, who is himself the agent of Parliament, and, more particularly, of the House of Commons, which represents and is responsible to the British people.

Theirs, then, is the ultimate responsibility. Their opinion must decide the issue. It must not be settled by a policy of drift or in "a fit of absence of mind" without consulting them. And so far no such consultation has taken place. Neither in Parliament nor outside it has there been any real public discussion of the new colonial policy. Full attention was given to the part played by the Dominions in the Ottawa agreements, but scarcely any to that of the colonies. The anti-Japanese duties were announced without even a bare reference to their interests. Nor can it be pleaded that public opinion in this matter can be taken for granted. It is impossible to say what it is. Is it, for instance, convinced that the application of "imperial preference" in the colonies is economically or morally justified? Has it considered and decided to face the reactions of such a policy on the attitude of other nations towards the British Empire, especially that of the United States?

Nor is it British public opinion only that must in these days be consulted. Every effort should be made to inform the educated section of any community concerned as to the purpose of our policies, and, as far as possible, to obtain its views. It need not be assumed that they will differ from our own. In 1919, while the African members of the Gold Coast Legislative Council voted against the palm-kernel export duty, those of the Nigerian Council voted for it because Sir Frederick Lugard had straightforwardly appealed to them to recognise what they owed to British rule. What is almost certain, on the other hand,

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to provoke dissent and antagonism is to impose a measure especially an economic measure, on a colony without troubling to explain and justify it as clearly and fully as possible. The suspicion that the political ideals of our "trusteeship" do not conform with our economic purposes is unhappily as inevitable in the colonies as it used to be in India; but it is not yet so widespread, and everything possible must be done to combat it. Not only in Ceylon and the West Indies, but in more politically backward communities in Africa and elsewhere, the educated native is closely watching what we do and how we do it. And at all costs we must try—and it is not by any means impossible—to convince him of our sincerity and to keep his good will. For, however we interpret our "trust," every student of colonial problems knows that its successful execution depends, and will increasingly depend as time passes, on the sympathy and co-operation of the native peoples.

## BRITISH AGRICULTURE AND EMPIRE TRADE

### I. OTTAWA: BEFORE AND AFTER

SINCE the British Commonwealth of independent nations emerged from the old colonial empire, it has never been built upon any central economic plan or organisation. Repudiated as an ideal, such a scheme was prevented in practice by the prevailing fiscal creed of Great Britain, and by the industrial ambitions of the Dominions. Nevertheless, even while this country still adhered to the free-trade faith, certain principles were traceable in the general terms on which trade was conducted among the British nations. The free-trade system of the United Kingdom ruled out preferences on the principal exports of the Dominions, but it guaranteed them an open and unlimited market for their produce in this country. That market was the mainstay of their primary industries, and thus at second remove of their rising manufactures. British Governments of different complexions had, moreover, recognised the principle that whenever an import tax was imposed it should be accompanied if possible by a measure of imperial preference. At the other end, while we had to meet protective barriers in the Dominions against our manufactured exports, we were given a preferential position there, and our cheap imports of food and raw materials enabled us to keep and enlarge our markets while our average standard of life steadily rose.

A major change was effected when this country adopted industrial protection, and more especially when the Ottawa agreements were signed. The implied principle

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of those agreements was industrial specialisation among the different members of the Commonwealth, safeguarded by a system of tariffs and preferences. The principle of the open market for Dominion primary produce in the United Kingdom was still maintained, though modified in detail by certain voluntary restrictions aimed at securing a higher price level. For her part, Great Britain continued to attach importance to the obverse aspect of the open market principle, namely, her ability to buy her food-stuffs and raw materials cheaply ; she relied on this to keep down her industrial costs in comparison with those of her competitors, many of whom had artificially raised their costs of living by agricultural protection. Thus we insisted at Ottawa that the preferential tariffs on wheat and copper should be granted only on the condition that Dominion supplies were available at the world price.

The trend of British agricultural policy towards protection is working still another revolution in the principles of Empire trade. The open market for Dominion primary produce, if not curtailed already, has admittedly a very dubious future. The traditional British policy of buying necessities as cheaply as possible, in order to sell cheaply on a high standard of life, has been, by implication, abandoned. The broad specialisation of economic function within the Commonwealth, that is to say, the concentration by this country on manufacture, while the Dominions and other new lands produce our non-perishable raw materials and food, has been set limits as an object of national policy.

### II. BRITISH AGRICULTURE

**B**RITISH agriculture is a specialised industry, adapted to the climatic and economic conditions of these islands. In 1930-31, the latest year for which returns are available, over 70 per cent of the net output of British agriculture consisted of livestock and livestock products.

## British Agriculture and Empire Trade

The following table shows in detail the distribution among the various products.

NET OUTPUT OF AGRICULTURE, 1930-31  
(England and Wales)

Product			Value in £ million	Percentage of total
Beef and Veal	..	..	29.9	14.8
Mutton and Lamb	..	..	15.6	7.7
Pig Meat	..	..	19.5	9.6
Milk	..	..	47.5	23.4
Milk Products	..	..	7.5	3.7
Poultry and Eggs	..	..	21.0	10.4
Wool	..	..	1.3	0.6
Wheat	..	..	3.6	1.8
Other Corn Crops	..	..	6.2	3.0
Potatoes	..	..	11.7	5.8
Sugar Beet	..	..	6.8	3.3
Hops	..	..	0.9	0.5
Hay, Straw, etc.	..	..	4.0	2.0
Fruit	..	..	7.8	3.8
Vegetables	..	..	12.3	6.1
Flowers	..	..	1.5	0.8
Glasshouse Produce	..	..	5.6	2.7
Total	..	..	202.7	100.0

These figures are all net, that is to say, there has been excluded from them all produce consumed in further agricultural operations. Thus they include food consumed by the farmer and his family, but omit crops used for fodder, whether on the farm or elsewhere. The gross figures, of course, would show a much higher proportion of corn crops, and of hay and straw; for over one-half of the former group, and four-fifths of the latter, were used for farm purposes. The general character of British agriculture, however, is best portrayed by net totals. The trend also is of great significance. Between the agricultural censuses of 1925 and 1930-31, aggregate net output, valued at the

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prices of the latter year, increased by 3·9 per cent. But output of dairy produce rose by 12·7 per cent., and that of poultry and eggs by no less than 62·7 per cent., while the output of livestock fell by 8·0 per cent., and that of farm crops by 4·6 per cent.

In 1931, the last year before the protective régime began, the following values of certain agricultural commodities were imported into the United Kingdom.

UNITED KINGDOM IMPORTS, 1931  
(in £ million)

		From Foreign Countries	From British Countries
Wheat and Wheaten Flour	..	18·0	16·4
Barley, Oats and Maize	..	14·6	1·4
Beef, chilled	..	20·1	0·0
Beef, frozen	..	0·9	1·9
Mutton and Lamb, frozen	..	5·0	13·2
Bacon and Hams	..	34·6	1·7
Poultry	..	2·5	0·6
Other Meat	..	9·1	4·3
Live Animals, for food	..	0·0	16·0
Butter	..	24·4	21·9
Cheese	..	1·5	7·5
Cream	..	0·4	0·4
Condensed and Dried Milk	..	4·5	0·6
Eggs	..	13·3	3·3
Potatoes	..	5·9	1·0
Onions	..	1·8	0·0
Tomatoes	..	3·1	1·5
Fresh Vegetables	..	1·6	0·0
Apples	..	4·3	3·6
Other Fresh Fruit*	..	2·4	0·7
Hops	..	0·2	0·0
Wool, raw	..	5·7	27·0
Hides and Skins (not fur skins)	..	2·6	3·4
Totals	..	176·5	126·4

\* Pears, cherries, gooseberries, strawberries and plums.

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The total of £303 million does not, of course, measure precisely the competition that British agriculture met from overseas sources of supply. It makes no mention of sugar, which competed with home-grown beet, or of preserved fruits and jams. Nor does it allow for the indirect competition of such articles as margarine or imported beverages. On the other hand, not every item on the list was fully or immediately competitive. The grains other than wheat, for instance, were used largely as raw material for other branches of home agriculture. Again, chilled and frozen meat reaches a different range of consumers from those who normally eat home-grown meat—a very important point to which reference will be made later. Moreover, a large proportion of the imports of fruit and vegetables came in when British produce was out of season. Bearing in mind all these qualifications, we may say broadly that the United Kingdom market for agricultural produce of a kind that is grown both at home and abroad has been divided hitherto fairly equally between the British and the overseas farmer.

By 1933, total imports of the items listed had been reduced in value to £250 million. This drop was largely the result of the further fall of prices that had taken place meanwhile, but it was partly also the result of protection in one form or another.

Since protection for British agriculture has assumed such varied shapes—tariffs, import quotas, subsidies—its scope and character cannot be summarised in a few words. The first protective measure of the National Government was the Horticultural Products (Emergency Duties) Act of November, 1931, which imposed import duties, ranging up to 100 per cent. of the value, on a wide variety of fruit and vegetables, in some cases during special seasons only. These duties, originally temporary, were made permanent in August, 1932. The Import Duties Act of February, 1932, spread the protective net much wider, imposing a 10 per cent. tariff on all foreign imports, save for a short

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“ free list ” ; but a number of the most important farm products—wheat, maize, beef, mutton and lamb, pig products, wool—were among the exemptions. The Import Duties Advisory Committee, set up under the Act, later recommended the application of specific duties to imported potatoes ; the duty on main crop potatoes was raised again last year. In August, 1933, the import duties on barley and oats were raised from 10 to 20 per cent., and last January the duty on oats was further raised to 3s. per cwt., equivalent at current prices to about 50 per cent. *ad valorem*.

The next measure of tariff protection for British agriculture was the Ottawa Agreements Act of October, 1932. It was part of the contract with the Dominions that duties should be imposed on foreign butter, cheese and eggs, while Dominion produce would continue to come in free. A duty of 2s. a quarter was also imposed on foreign wheat, but as it was accompanied by the proviso that adequate Dominion supplies should be available at the world price it cannot be reckoned as a measure of protection for home wheat growers. The only other piece of tariff protection for British agriculture that has to be recorded is the series of high duties imposed in July, 1932, on imports from the Irish Free State. The primary purpose of these duties was not protective, but such was inevitably their effect, especially in the markets for fat and store cattle, poultry, butter, eggs and cream.

The non-tariff forms of protection must be reviewed according to the different products to which they have been applied. Wheat comes first. By the Act of 1932, British wheat growers were guaranteed a price of 10s. a cwt., equivalent to 45s. a quarter, for their grain, or proportionately less if their total production should exceed—as it now does—a certain basic figure (27 million cwt.). This guaranteed price has been at times more than double the market price during the currency of the Act. In 1933, home-grown wheat sold at prices ranging from 6s. 10d. a cwt. in July to 4s. 5d. at the end of the year. The subsidy

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is provided from the proceeds of a tax on all flour imported or milled. The total sum thus distributed to farmers during the last crop year was about £4½ million. The grant of so large a subsidy to so small an item in British farming is all the more remarkable in that the Government has consistently advocated the limitation of world wheat production, and in that the benefit is very unevenly distributed between farmers in different parts of the country. More than half the total wheat area of Great Britain is in the eastern and north-eastern counties of England. Within that region, wheat "deficiency payments" varied in 1932-33 from an average of £89 per 100 acres of farmed land on north Essex and south-west Suffolk boulder clays, to £15 per 100 acres on south Essex London clays.\*

The sugar beet subsidy, which is ten years old, may be mentioned at this point, since it has much in common with the wheat scheme. The subsidy of £6 10s. per ton of beet sugar cost £2½ million last year. Thus on wheat and sugar beet, which together accounted for about 5 per cent. of the net output of British agriculture, there was paid last year a total subvention of about £7 million, not including the rebate of excise on home-grown sugar. A marketing scheme for sugar has now been promulgated by the Government and has been the subject of public enquiry. Its basis is twofold: the apportionment of sugar-refining business by quota among a specified group of refiners; and the levy within the industry of a charge on all refined sugar, out of which the subsidy on home-grown sugar beet will continue to be paid. This provision assimilates the scheme to the "deficiency payment" plan for wheat.

More vital to British agriculture as a whole are the measures that have been taken during the last two years for the protection and assistance of livestock and dairy farming. The Ottawa agreements laid down that imports of foreign

\* *An Economic Survey of Agriculture in the Eastern Counties of England, 1932.* University of Cambridge, Department of Agriculture.

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frozen beef and frozen mutton and lamb should be progressively cut to 65 per cent. of their 1931-32 amounts. The Australian Government undertook to limit the export of frozen mutton and lamb to the United Kingdom in 1933 to the level of 1931-32 shipments, and to use its best endeavours to ensure that exports of frozen beef in 1933 should not exceed 110 per cent. of exports in the base year. New Zealand undertook merely to give reliable estimates of shipments of mutton and lamb as early as possible in each export season. The United Kingdom Government, in return, undertook that no restriction would be applied to imports of meat from New Zealand and Australia up to June 30, 1934. As for chilled beef, which had not hitherto been exported in appreciable quantities by the Dominions owing to their greater distance from the market, foreign supplies were to be kept down to 1931-32 amounts. The Ottawa agreement on meat was reinforced by a plan of voluntary regulation of supplies, which was agreed upon between the United Kingdom and Argentina, as well as the Dominions concerned, in November 1932. Argentine beef exports to this country were to be cut down by 10 per cent., and mutton and lamb exports by 20 per cent. The Dominions would cut down their mutton and lamb exports by 10 per cent. Part of the bargain with Argentina was that no import duties should be levied on meat before November 1936.

British livestock farming was defended against a further source of competition when fat cattle imports from the Irish Free State were cut by 50 per cent., by an Order of December 1933. This measure was primarily protective in purpose, and its chief connection with the political dispute with the Free State Government was the omission to secure the latter's consent. Imports of beef, veal and offal from the Irish Free State were prohibited altogether. The Government of Canada at the same time agreed to limit exports of fat and store cattle to this market to 100 per cent. of 1933 quantities; but so much opposition was aroused

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among Canadian cattle-raisers that the understanding has not been ratified.

The expiry of the Ottawa agreements on meat supply raised once more the whole question of future British policy towards livestock farming. While the price of fat sheep has appreciably risen since 1932, the price of beef has remained at a very low level. The want of restriction on imports of frozen beef from the Dominions has been the factor most generally blamed, and indeed frozen beef imports were actually higher in quantity in 1933 than in 1932. The Fat Stock Reorganisation Commission pointed to two other contributory causes, namely, absence of knowledge about the volume of home-produced meat coming forward for slaughter, and the failure of the exporting countries to adhere strictly to their undertakings. The Commission were able to find no practicable substitute for supply regulation that was capable of immediate application. They acknowledged that (having regard to the requirements of consumers as to both volume and price) such regulation might fail to restore prices of home-produced meat to a reasonable level, and they recommended, as a first choice among possible reinforcements, a levy on the lines of the Wheat Act. This line of action has been provisionally adopted as part of government long-term policy, but for the present it is barred by the terms of the Argentine agreement. Argentina has refused to modify the agreement in this sense. The Dominions concerned have also expressed their opposition both to a levy on their supplies and to quantitative restriction. After conferring with the High Commissioners, the Government therefore felt constrained, until their hands should be free, to adopt an interim policy to aid British livestock farmers. This takes the form of a direct subsidy of 5s. per cwt. (live weight), or 9s. 4d. per cwt. (dead weight), on cattle sold for slaughter. The subsidy is granted for the period of seven months ending March 31, 1935, and is estimated to cost £3,000,000. Later, any such payments that may be made to beef pro-

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ducers are intended to be recouped out of the proposed levy on imported beef, but whether the £3,000,000 will be repaid by these means has been left undetermined.

The scheme of assistance for the pig industry need not be described in detail here, because it scarcely affects the Dominions. But it has several features of general interest. There is no guaranteed price, but all contracts for bacon curing have to be endorsed by a marketing board set up under statutory authority, and in fact when last November the curers were faced with heavy losses on their contracts the Government helped them with a loan, to be recouped out of a levy on future contracts. That situation arose because the supply of bacon pigs from home sources exceeded by one-third the total that had been expected. The chief exporters of bacon to this market had already agreed to restrict supplies by 20 per cent. of their former volume ; when the November crisis arose the Government, after vain negotiations with the Danish producers, imposed a further cut of 16 per cent. As a result of these steps, the price of Danish bacon has risen considerably. Indeed, we have been paying Denmark more money for a less quantity of bacon. The complications of a quota policy are well illustrated by these incidents. At the World Economic Conference last year, the United Kingdom delegation moved "that a very definite distinction should be drawn between import quotas arbitrarily fixed for protectionist purposes, and production or marketing quotas established by international agreement with a view to the raising of prices." Was the second cut in bacon imports "arbitrarily fixed for protectionist purposes" ? It certainly was not established by international agreement, and the raising of prices was only a secondary objective.

The milk marketing scheme has met with equal though rather different entanglements. The essence of the scheme is the equalisation of return to farmers by the compulsory sale of their milk to regional pools, co-ordinated under a central marketing board. The board is responsible for enter-

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ing into contracts with milk distributors and for disposing of surplus milk, at prices fixed each month, to manufacturers of cheese, butter, chocolate and other products. Even in winter there is now an excess of milk to the extent of 20 per cent. over liquid requirements, and in summer it may rise as high as 40 per cent. The price of milk for manufacture, which must obviously vary with the price of imported cheese and butter, as well as with the volume of the home surplus, has been as low as 3½d. a gallon, when the wholesale price for liquid milk has been 1s. 1d. a gallon.

The curtailment of imports, which was applied to bacon, has not been possible here; for the Ottawa agreements precluded us from restricting the import of Dominion butter and cheese until November 1935. Last year some 60 per cent. of our imports of butter and cheese came from the Dominions. Not long after the Ottawa Conference, the New Zealand Government asked the United Kingdom Government whether it would not be possible to restrict imports of foreign dairy products into this country, with a view to raising the price obtained by Dominion producers. The Government replied that they could not sufficiently cut foreign imports without applying some restriction to Dominion butter and cheese also; they therefore suggested that the Dominions should agree to curtail their exports by 10 per cent., foreign imports being thereupon cut by 20 per cent. Neither New Zealand nor Australia was able to assent to this proposal, which was denounced in some quarters in those Dominions as a breach of the spirit of Ottawa. The British Government have therefore resorted to the device of a subsidy. For a period of two years they have provided funds (estimated at £3-£3½ million) to make up the price of milk for manufacture to a minimum of 5d. a gallon in summer and 6d. in winter. The subsidy takes the form of an advance to the milk marketing boards, who are to repay it out of their resources if the price of manufactured milk should exceed those minimum levels. The liability to repay is limited to the period March 1936

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to March 1938. At the same time, the Government provided a maximum grant of £1,000,000, spread over two years, for a campaign to increase the demand for milk, and £750,000 to launch a campaign for securing a purer milk supply.

Other governmental measures for the protection of home agriculture include a hops marketing scheme, which may be described as a co-operative monopoly among existing hop-growers, coupled with import restriction; and a marketing scheme for potatoes, which sets out to limit the volume of the home crop coming on the market, by means of acreage quotas, and especially to prevent periodic gluts.

While it is plainly impossible to sum up these various measures of assistance to British agriculture, something must be said of their monetary cost to the consumer and taxpayer. If we put the wheat subsidy at £4½ million, and the aid to sugar-producers at £6 million (including remission of excise), and if we calculate the due proportion of the milk and beef subsidies for twelve months, we find that the total of these direct subventions is no less than £18 million per annum. The cost, to the consumer, of quota policies designed to raise the price by restricting the supply cannot be so precisely determined, since any movement of prices may be due to other forces than restriction in this market; but the quota certainly has raised the price of imported bacon, and presumably also that of imported mutton and lamb. Whatever the extra cost of these products to the consumer may have been—perhaps £10-12 million annually—it represents so much less money available for spending on other goods—including, indeed, the products of British agriculture.

### III. REORGANISATION, RESTRICTION AND PROTECTION

THE aims, ostensible or implied, of British agricultural policy are threefold—reorganisation, restriction, and protection. These three purposes are intimately linked. The chaotic methods of production and marketing that

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rule in many branches of British agriculture demand conscious and scientific organisation. But can that be achieved under a régime of unlimited imports? And if home production is to be planned according to the possibilities of the market, does that not ideally require an international effort in the same direction, embracing the British plan as a part of world-wide regulation? Nevertheless, these three aspects of agricultural policy may be considered separately, because each has a different bearing on the principles of Empire trade.

Of reorganisation there is little that need be said here. So long as it takes the form of an effort to economise in distribution costs, to the advantage of both producer and consumer, it is plainly unexceptionable. If, on the other hand, a so-called marketing scheme is allowed to become a producers' monopoly aimed merely at limiting output and raising prices, it defeats its own ultimate purpose; for before long the public will round upon it and leave either worse chaos than ever or a full-blooded socialist regimentation. Of the inherent merits and defects of governmental interference with private trading, this is no place to speak. But policies of restriction, as distinct from organisation, have a sharper significance for the British Commonwealth. First, it must be recognised that so long as wants go unsatisfied among the poorer classes of our people, restriction can never be more than a second best means of dealing with unprofitable conditions in any primary industry. The alternative of widening markets not only adds to the sum of material welfare; it enlarges the opportunities of employment in the primary industries, and it gives to debtor countries (who are also for the most part primary producers) a more elastic means of paying their debts. On the other hand, world prosperity is but the sum of the prosperity of different trades and interests; hence world economy must be injured if a great primary producing industry is allowed to collapse for want of organisation of production to meet the market. Moreover, the fluctua-

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tion of prices for primary commodities is to some extent a psychological regulator of trade in general.

Yet the common argument, that if primary prices could be raised by restriction, trade generally would recover to the level of the period when higher prices ruled, is an economic fallacy. Statistical research and analysis show that low prices are primarily a symptom, and only secondarily a cause, of world depression. It may be argued that to restore purchasing power to the agricultural community is to provide markets for industrial products, but this is to overlook two things: first, by far the greater proportion of world trade, internal and international, consists of the exchange of one manufactured product for another, as contrasted with the exchange of raw commodities for manufactures; second, the more that manufacturing communities are forced to spend on primary products, the less they have to spend on the goods they produce themselves.

Thus restriction schemes come with dubious economic credentials, and each of them must be carefully scrutinised from the point of view of the general welfare. The first practical test is that the scheme should be supported by the generality of producers wherever they may be situated. As regards any particular product, a mainly consuming country cannot claim to know better than the producing countries what production policy is good for them. If, moreover, the principle of restriction is sound for any industry, it should obviously be enforced, as far as possible, by gradually eliminating the least efficient areas and the least efficient individual producers.

In accordance with these tests, the persistent objections of the Dominions most affected to the restrictive principles of British Government policy should have caused us serious misgiving. The speeches of Mr. Bruce and Mr. Forbes at the World Economic Conference gave warning of the vehemence with which restrictive policies are opposed in Australia and New Zealand. On his recent visit

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Mr. Forgan Smith, Premier of Queensland, declared that his Government regarded the proposals put forward for the limitation of sales in Great Britain of Australian products as "a policy of despair, which would result in arrested development in the Commonwealth, lead to further deflation and increase unemployment." In the opening speech of his election campaign Mr. Lyons, the Commonwealth Premier, declared that restriction of production for export could never be willingly accepted by Australia.

Restrictive policies that proceed in the face of such opposition from the principal producers themselves must plainly be ranked as measures of local protection. Quotas and tariffs are alternative methods of securing such protection, each of which has its own merits and defects. We are not concerned here to debate the issue between them, though we are bound to point out that the quota method is the more dangerous to good relations between the countries of the Commonwealth. The arbitrary element that it is bound to contain, the necessity that it creates for government intervention, at the point both of export and of import, the limit that it sets to the reward of enterprise and efficiency in expanding the market by reducing costs—these factors render it much more repugnant than the tariff to Dominion producers, and give them a grudge against the United Kingdom such as the latter method of protection would not arouse. There are, admittedly, important considerations on the other side; but even if they gain the day, the principle of the free list for Empire goods, which was an essential element of the Import Duties Act, becomes rather unreal if it means only that the Government prefers quotas to tariffs as a means of protecting home agriculture.

The one vital need in all this controversy is to be honest about our acts and intentions. The British Government is trying to protect the farmer, not only from foreign but from Dominion competition. There is nothing to be ashamed of in that design. The Dominions protect their

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secondary industries against United Kingdom as well as against foreign manufactures. There are many reasons why we should adopt an analogous policy for our agriculture. It is still one of the largest, and in a sense will always be the most important, of our industries. It has suffered more disastrously than almost any other from the world depression and the consequent low level of prices. It provides an essential and stable source of employment. Beside these economic reasons, there are also compelling non-economic reasons for protecting agriculture. Excessive reliance on oversea sources of supply for foodstuffs must be a grave element of strategic weakness. True, we can never be self-supporting even in primary necessities, and an attempt to make ourselves so would defeat its own ends by accomplishing both our economic ruin and the physical deterioration of our people. But if we can grow more food at home—not necessarily by dint of importing less—without lowering our standard of life, we shall be increasing our margin of safety in the event of another war or blockade. Perhaps the argument that most appeals to the individual citizen is an aesthetic and sentimental one. An England without a smiling, tilled and tended countryside would be a prospect worth a big sacrifice to avoid.

To judge how far in fact the stability of British agriculture is threatened, and what measures of organisation and protection are best suited to the circumstances, is an expert task beyond the range of this article. We should have to consider the problem of agricultural mortgage debts in a protracted period of low prices—a problem which the Dominions have already been compelled to tackle vigorously. We should have to take into account the impoverishment of agricultural capital through the high assessments on land for death and estate duties. Here, however, we are concerned only to discuss the relation of actual and prospective policies to the structure of the British Commonwealth.

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### IV. THE ECONOMICS OF THE COMMONWEALTH

CIRCUMSTANCES compel us to reconsider British economic policy in all its aspects. Whatever may be the outcome of that consideration, if the Commonwealth means to us what we profess it to mean we must have a Commonwealth economic policy as well as a United Kingdom policy, the latter being a harmonious part of the former. Ottawa was disappointing to many who hoped for a decisive move towards genuine economic co-operation, because the conference failed to subordinate its deliberations to a distinct Commonwealth economic policy. The Canadian Tariff Board has now confessed that it cannot interpret in a practical fashion, at least as concerns the woollen industry, the "equalisation of costs" clause in the Ottawa agreements, which may be regarded as the leading principle of economic policy there adopted. Perhaps at Ottawa the Dominions were most to blame for the want of a common objective. When, however, it is the protection of home agriculture that is in question, the responsibility is ours in the United Kingdom for considering the principles of Commonwealth economic policy to which we adhere, before we formulate our national policy.

It is no answer to point to the Dominions' own failings when similar problems have arisen in connection with their own economic policies. The tenuous mesh of Commonwealth co-operation will become but a figment if opportunities are missed, whether by ourselves or by the Dominions, for planning a concerted policy on matters of common interest. There is still grave danger that the need for a Commonwealth plan may be neglected in connection with government help to the shipping industry. In announcing the conditional grant of a "defensive subsidy" of £2,000,000 to tramp shipping on July 3, Mr. Runciman did indeed remark that in considering long-term policy it was essential to have the co-operation of the

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Dominions and India ; the Government, he added, were informing the other members of the Commonwealth of the position, and seeking their views as to possible lines of action. But such a collection of comments is very different from the Empire-wide enquiry that is necessary if the resultant action is to be a Commonwealth policy for the salvation of a Commonwealth interest, not merely a United Kingdom policy adopted in the light of Dominion observations.

For the Government to acknowledge that we must have a Commonwealth policy for agriculture would be the most important step towards their deciding what that policy should be. But can we foresee on what lines such a Commonwealth system would be likely to develop ? Negatively, we may say with assurance that the principle of restriction of output in the interest of higher prices cannot possibly form the permanent basis of Commonwealth policy for primary production ; for it has been decisively rejected by the Dominions most intimately concerned. In so far as their outlook is correctly expressed by such men as Mr. Lyons, Mr. Bruce or Mr. Forbes, these Dominions take a dynamic view of their economic position. They regard themselves as expanding countries, finding work for more and more men, and profits for more and more capital, from their own lands and from the Mother Country. If we place any hopes, social or economic, in the future of emigration to British countries, we at home are bound to take a similar view of the Dominions' future. As a New Zealand writer in *THE ROUND TABLE*\* put it,

Unless this development (of dairy production) can be continued—and New Zealand's financial obligations have been undertaken on a certain basis of planned development of the country—the whole financial structure of the industry will break down.

The continued rapid expansion of primary production can scarcely be regarded as an extraordinary future for the

\* *THE ROUND TABLE*, No. 95, June 1934, p. 676.

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Dominions, since for many years already it has been the most striking feature of their economic life. In 1871, Australia's output of wheat was but 12 million bushels, yet by 1911 it was 71 million bushels, and by 1921 it was 129 million bushels. Ten years later it had risen again to 191 million bushels. Similarly, her wool production, which in 1871 was only 179 million lb., had risen to 721 million lb. by 1921, and after another decade to 1,007 million lb. Her butter production—42 million lb. in 1891, rising to 267 million lb. in 1921, and to 391 million lb. in 1931—advanced on an equally steep curve. These are typical figures, figures that have been the foundation both of prosperity in the Dominions and of a high standard of life at home.

The Dominions may be excused for seeing their future in the same colours as their past. Under the encouragement of British Governments, with the assistance of British public and private funds and British scientific research, they have been seeking and still seek how further to increase their primary output. There is still indefinite scope for the application of machinery and chemical fertilisers to agriculture. The age of machines has only just begun, and the age of hungry millions is not yet over.

But to what end do the Dominions thus strive to improve the productivity of their land and the opportunities that it offers for capital and labour? As machines increase their wealth, their own urban populations grow, and form a rising home market for their primary production. The consummation of this trend is shown in the United States, where official policy already looks forward to a time when that country, formerly one of the greatest suppliers of raw produce to the rest of the world, will have no surplus of primary commodities to export, except cotton and tobacco, perhaps not even those. While it is well to take a long view, such a future for Dominion primary industries is evidently a great way off. For their rising production they look to expanding overseas markets, first among which is the

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United Kingdom. Generally speaking, their dependence on this market is greatest in just those commodities which are most urgently threatened with limitation.

If the British market is restricted they will seek markets elsewhere ; that is the unmistakable reaction to Mr. Bruce's recent visit to Australia, in the course of which he urged upon his countrymen the necessity, whether they desired it or not, of planning their national production so as to accord with the new policies that were being promoted in Great Britain. But if the Dominions seek rising markets elsewhere they will have to bargain for them. The countries that take their produce in added quantities will expect in return a privileged position in Dominion markets. We may not lose our own favoured position under Dominion tariffs, but every special advantage given to an individual foreign country is bound to cut into our preferential margin.

On the face of it, there is no reason why the hope of the Dominions, that the United Kingdom will provide a steadily expanding market for their products, should be falsified. It is true that our population is approaching a stationary level ; that the taste is spreading for eating less meat ; that the consumption of wheat is bound to be inelastic in a country at our standard of material welfare, where all should have bread enough to fill their bellies ; and that as the standard rises people spend their spare income, after necessities have been secured, not on more food so much as on services and on highly manufactured articles. On the other hand, our standard of life is still low enough for a future all-round rise to bring great masses of people on to a plane where they can eat more meat, more butter, more vegetables. Since 1926 our consumption of butter, almost solely by reason of its growing cheapness, has been raised from 5,500 tons a week to 9,000 tons a week. Butter and butcher's meat are still luxuries for the poor. Home-killed meat is still a luxury even for the comparatively well-to-do. Thus British agriculture is bound

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to benefit even more than Dominion agriculture from a rising standard of life in this country ; for home-produced butter, cheese, eggs, and meat all command a substantial premium over similar imported goods, whether from the Empire or from foreign countries. The specialities of British agriculture, prime meat and milk, can be deprived of their sure and growing market only if they become too expensive for actual and prospective purchasers.

It is clear that the long-term interests of home and Dominion agriculture are not conflicting, but complementary. The prosperity of both is identified with expanding markets based on lower costs and on a rising average standard of life. Meanwhile, British agriculture is in a state of serious depression, and such long-term policies may not be enough to secure its immediate salvation. Hence special assistance with a view to lowering costs or artificially expanding the market may be necessary as a temporary measure. This is no place to consider the merits of different possibilities of this kind, but in the interests of the Commonwealth as a whole it is far better to apply a subsidy to the point of consumption (for instance, giving milk to school-children) than to the point of production ; for the latter type of plan tends to aggravate the relative over-production that it is intended to remedy.

Some measure of protection against foreign imports may also be held necessary. But it is a remedy whose possibilities have been greatly exaggerated. We must sell our manufactures abroad, and this means not merely that we must buy from those countries who happen to be our principal customers, but also that we must maintain a certain fiscal moderation over the whole field of foreign trade. International trade, which is many-cornered, must moreover be always considered in relation to financial movements. To deprive debtor countries of the means to pay their debts is to impoverish the holders of foreign investments, and by so much to impoverish the market for British food products. But even if there were none of these complica-

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tions, the quantitative restriction of imports of foreign primary products would be a measure of very limited utility. Goods are not destroyed by being kept out of England. The pressure towards lower world prices may well be heightened by such devices. And if, in this defended market, prices rise temporarily, there is no assurance that consumers will buy more British farm products to replace the cheaper foreign goods that they have been compelled to forgo.

Hence, although temporary protection may be held necessary, the greatest possible freedom of world trade, resulting in the widest possible world markets, is clearly the long-term ideal for British as for overseas agriculture. The liberation of world trade is a slow and difficult task, but we may make a start within the British Commonwealth, where political, racial and historical bonds reinforce mutual economic interest. The fact that British agricultural policy is in the balance gives this country another opportunity to strive towards freer trade within the Commonwealth. Not long ago the New Zealand Government enquired what would be the United Kingdom Government's view of a proposal to give British manufactures free entry into New Zealand in return for a guarantee of an unlimited market for Dominion agricultural products. By the admission of the New Zealand Government themselves, this was not intended as an offer, but was, on the contrary, a device to strengthen their hands against internal critics who were demanding such a policy. Nevertheless, the Dominions Secretary's reply might have poured less icy water on a suggestion which, if it were practicable, would be highly advantageous to this country. Genuine "Empire free trade," in the sense of the greatest possible freedom of trade within the British Commonwealth, is an ideal to which supporters of widely different fiscal policies for this country would gladly subscribe. Our agriculture no less than our manufacturing industry stands to gain by the freeing of trade within the Commonwealth; for the first

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condition of agricultural prosperity in this country is a prosperous home market, which in turn depends on the fortunes of our great exporting industries.

The freeing of Commonwealth trade must be based—as the Ottawa agreements themselves were meant to be based—on the principle of international specialisation. It is, of course, a principle to which limits have been set both by policy and by necessity. In a world without a threat of war, or in a world guaranteed against exchange fluctuations and wide changes in the purchasing power of money, it could be pushed much further than is at present possible. Moreover, in the sense of concentration by the Dominions on primary production, while the United Kingdom concentrates on secondary industry, the principle of specialisation has been greatly qualified by the Dominions themselves; and we too would rightly protest against its being carried to the length of destroying home agriculture.

Nevertheless, even in that broad sense the principle has value as expressing the need for greater freedom of trade, and less artificial support of uneconomic industry. In its narrower but no less important sense, the principle of specialisation means that within each industry, whether primary or secondary, there should be an understanding regarding the types of products on which the different countries of the Commonwealth should concentrate. Such specialisation must not be confused with a mere division of markets. British agriculture is already a highly specialised industry, and it would be a misfortune if it were to lose this character. Its products generally command a higher price, and appeal to a wealthier class of consumers, than corresponding imports from the Dominions. Where they do directly compete, there is no reason why British agriculture, with its market at its door, should not meet its Dominion rivals on level terms. On the other hand, it ought not to have to face competition artificially supported and stimulated. We should set our face against dumping by the Dominions as well as by

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foreign countries. Thus we could reasonably make the point that schemes involving a levy on internal sales of butter or cheese in order to subsidise exports would deprive a Dominion of its title to a free and open market in the United Kingdom.

Empire economic co-operation, as we found at Ottawa and are finding again, is no simple or easy task. It must take account, among other hard facts, of the need for helping British agriculture, which finds its competitors as much in Commonwealth as in foreign countries ; of the insistence of the Dominions upon protecting their secondary industries ; and of the dependence of this country upon foreign markets and investments, which compel us to treat imports of foreign primary products with a moderation that we might otherwise be tempted to abandon. Yet no less important than these cardinal facts are the principles of economic policy to which we ought to hold because we are members of a great Commonwealth whose strength is our strength and whose prosperity is our prosperity. The first principle is expansion of the market, as contrasted with restriction of the supply. Even home agriculture does not benefit in the long run by the latter form of protection. The second principle is greater freedom of trade within the Commonwealth, secured perhaps on the inducement of an open market for Dominion primary products in the United Kingdom. The third principle, that of specialisation, is largely subordinate to the second, though it also applies to British agricultural policy from the domestic point of view.

The present agricultural policy of the British Government fails by these tests. It is conducted with energy, ingenuity, and a praiseworthy insistence that agriculture must not be allowed to rot for the sake of a false and temporary cheapness to the urban consumer ; but it is conceived from too narrow a viewpoint. If we look beyond the immediate and sectional problems, it becomes clear that agriculture, here as well as abroad, must find its prosperity

## British Agriculture and Empire Trade

first in internal organisation and second in an expanding market ; that an expanding market depends on the prosperity of British industry, which in turn ultimately depends on the ability of oversea countries to buy from us, in return for what we buy from them ; that for this reason, and because the main products of British agriculture command a higher price than the imported article and appeal to different consumers, the interests of Dominion and home farmers are not conflicting but complementary. Hence our agricultural policy ought to be founded upon a view of economic policy for the Commonwealth as a whole, taking into account especially the international debt system that rules between the Dominions and ourselves. And Commonwealth policy for agriculture, as we have seen, cannot safely or profitably be built upon either subsidies or the restriction of supply ; it must be based on specialisation, on the repudiation of dumping, and on the greatest possible freedom of trade, at least among ourselves.

Debates in terms of local interests, of concessions, sacrifices, advantages and bargains, bring us no nearer to a Commonwealth policy. Its objective must be the good of the Commonwealth as a whole. That, indeed, is compounded of the interests of the constituent parts, but it is a chemical and not a physical compound, a synthesis, not a mere summation. The policies of the members of the Commonwealth cannot be fused by discussion, nor harmonised by administrative machinery ; they can be unified only by having a common objective.

## ART OR ALCHEMY IN THE NEW DEAL

THE Congress of the United States, that overburdened legislature, adjourned on the 18th day of June. Ten days later President Roosevelt gave one of his "intimate fireside talks" to his fellow countrymen, availing himself, as he has skilfully done before, of the medium of the radio. His message was designed to be a message of cheer. The Congress, he said, had been equal to its task of "completing and fortifying the work" begun in March, 1933. It had passed the Corporate and Municipal Bankruptcy Acts and the Farm Relief Act. It had "strengthened the integrity of finance" through the Fletcher Rayburn Bill for the regulation of securities exchanges. It had provided a rational method of increasing foreign trade through reciprocal trading agreements. It strengthened our naval forces, "made further advances towards peace in industry through the Labor Adjustment Act," and "supplemented our agricultural policy through measures widely demanded by farmers themselves." "It took definite steps towards a national housing program" and created a new federal commission to regulate communications. Finally, and most important in the President's mind, "it reorganized, simplified and made more fair and just our monetary system, setting up standards and policies adequate to meet the necessities of modern economic life, doing justice to both gold and silver as the metal bases behind the currency of the United States."

The President said that he had continued to recognize three related steps toward saving and safeguarding our national life. These are the three R's of the President's

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program—Relief, Recovery, Reform. Substantial gains, he claimed, had justified the course followed. Weekly pay envelopes had gained, hundreds of thousands had been re-employed in industry. The value of farm products had risen. He could cite statistics to show the “great increase in bank deposits” and “scores of thousands of homes and farms” saved from foreclosure. He then put the query straight to his listeners—“Are you better off than you were last year? Are your debts less burdensome? Is your bank account more secure? Are your working conditions better? Is your faith in your own individual future more firmly grounded?”

Assuming an answer in the affirmative to all these inquiries, the President launched out in a reply to his increasingly numerous and articulate critics. “Plausible self-seekers and theoretical die-hards will tell you of the loss of individual liberty.” But he assured his listeners that no single jot of the great assurances of the Bill of Rights had suffered any impairment. Any one who disagreed with him was by implication a plausible self-seeker or a theoretical die-hard or both.

It is not the overwhelming majority of the farmers or manufacturers or workers who deny the substantial gains of the past year. The most vociferous of the Doubting Thomases may be divided roughly into two groups, first, those who seek special political privilege, and, second, those who seek special financial privilege . . . The program of the past year is definitely in operation, and that operation month by month is being made to fit into the web of old and new conditions. This process of evolution is well illustrated by the constant changes in detailed organization and method going on in the National Recovery Administration.

We are still feeling our way in solving problems which relate to self-government in industry, especially where such self-government tends to eliminate the fair operation of competition. In this same process of evolution we are keeping before us the objectives of protecting on the one hand industry against chiselers within its own ranks and, on the other hand, the consumer through the maintenance of reasonable competition for the prevention of the unfair skyrocketing of retail prices.

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The first principle of the future program is the providing of people with better homes ; the second is "to plan the use of the land and water resources of this country to the end that the means of livelihood of our citizens may be more adequate to meet their daily needs" ; the third is "to use the agencies of Government to assist in the establishment of means to provide sound and adequate protection against the vicissitudes of modern life—in other words, social insurance."

"A few timid people, who fear progress, will try to give you new and strange names for what we are doing. Sometimes they will call it 'fascism,' sometimes 'communism,' sometimes 'regimentation,' sometimes 'socialism,' but, in so doing, they are trying to make very complex and theoretical something that is really very simple and very practical —what we are doing to-day is a necessary fulfilment of what Americans have always been doing—a fulfilment of old and tested American ideals." He likened the changes in our social, political and economic system to the present additions being made in the White House, new plumbing and electric lights and air conditioning in an old building without impairment to the dignity and beauty of its architecture. "It is this combination of the old and the new that marks orderly peaceful progress—not only in buildings, but in building government itself. Our new structure is a part of and a fulfilment of the old."

A few days later the President stepped aboard a cruiser to visit some of the American insular possessions in the Caribbean and in the Pacific.

This "intimate fireside talk" has been quoted at considerable length for several reasons. In the first place it is the most authoritative recent statement of the aims and purposes of the New Deal. In the second place it represents a recognition on the part of the President and his Administration of the growing opposition to the Administration program, the difficulty of reconciling the reformers with the "timid people." In the third place

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it is remarkable for the particular things that it does *not* contain.

When it is remembered that American business had been waiting patiently for this authoritative utterance from its national leader, it is easy to understand public disappointment. The address contained no intimation of future monetary policy, no assurance regarding the proposed scope of permanent governmental control or supervision of American business, no definite pronouncement on the moral obliquity or rectitude of the profit motive in private enterprise, and no suggestion of any particular sphere of human activity appropriate or inappropriate to its operation. While declaring for certain major ambitions in the way of reform, reconstruction and "social insurance," he gave no hint as to how these changes were to be secured. The expression about "doing justice to both gold and silver as the metal bases behind the currency" means, as was no doubt intended, precisely nothing.

Much of the legislation passed by the last Congress seems hasty and ill-advised to some Americans who must shoulder the odium of being called "timid people who fear progress." They may be critical enough to inquire whether the passage of the Fletcher Rayburn Bill does really "strengthen the integrity of finance," or whether peace in industry is actually promoted by any legislation at the last session of Congress or by any new spirit exhaled by the New Deal. If so, why the strikes of Detroit and San Francisco? Is a new federal commission to regulate communications an agency for relief, for recovery or for reform? If they wish to carry criticism further, they may pursue an inquiry into whether the larger number of dollars in the weekly pay envelope represents greater purchasing power, whether the volume of re-employment is fostered or retarded by governmental policies, whether the rise in prices of which the President boasted in the first part of his intimate fireside talk may not conduce to "the unfair skyrocketing of retail prices" denounced in the last part.

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Not all Americans will answer the President's fivefold inquiry in the affirmative. Some of us are quite definitely not better off than we were last year. Many security holders and professional men are worse off. To many the debt burden has not been alleviated. It is extremely doubtful, for reasons to be discussed in a moment, whether anybody's bank account is as secure. Working conditions have probably not changed materially. And while the country as a whole is probably in better spirits than a year ago, many thoughtful and intelligent men are more dubious of their own future and the nation's than ever before. Even among those who feel that conditions have improved there are many who do not concede the implication that the policies of the New Deal are responsible. Such people bitterly resent any assignment to a category of seekers of special political or special financial privilege. Others who feel that the encroachment of government upon the field of enterprise is not a "fulfilment of old and tested American ideals" rankle under the epithet of "plausible self-seekers and theoretical die-hards."

It is doubtless too much to expect that any popular utterance of a political leader will be a profound statement of eternal verities, but it seems reasonable to inquire whether the intellectual thinness and vagueness of this particular utterance is not too dangerously characteristic of a national mood. The *Literary Digest* straw vote, framed on the question, "Do you approve on the whole the acts and policies of Roosevelt's first year?" shows 61.15 per cent of the 1,705,562 responding as in the affirmative, a slightly (about 4 per cent.) greater preponderance of votes than he enjoyed in the popular vote of November, 1932. Despite the vagueness of the question and the increasing confidence of the opposition, this vote affords no evidence that the President has lost touch with the electorate.

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### II

THE fiscal year came to a close on June 30. The following day was New Year's Day, fiscally speaking, but no confetti was thrown. This was perhaps fortunate. Some of our thinkers might favour making confetti legal tender. The new year opened with the largest peace-time deficit in the nation's history. In the last twelve months the national debt has been increased by some four and a half billion dollars, or by about 20 per cent., and now stands approximately at 27 billions. As against these new liabilities must be considered the magic "increase" in our resources through devaluation, the value of new investments by the Reconstruction Finance Corporation, and a net gain in the Treasury's cash.

"Ordinary" national expenditures in the year last past, including interest and sinking fund, came in round figures to \$3,100,000,000. The extraordinary expenditures came to four billions. These include relief of one sort or another, either in its simplest form or in the cost of fabricated employment. As against these expenditures, government revenue showed an improvement for the first time since 1929. Due chiefly to revenues realized from the repeal of prohibition, yield from internal revenue taxes rose to \$1,485,000,000, an increase of more than 70 per cent. from the previous year. Customs duties increased by 20 per cent. due to the very moderate recovery in foreign trade. Income taxes gained 10 per cent. to yield \$850,000,000 and the new processing tax to raise funds to aid agriculture produced \$370,000,000. Thus the revenue for the year exceeded ordinary expenses by the trifling amount of one hundred million dollars, but fell behind total expenses by nearly four billions, only a little more than half the seven billion dollar deficit that the President predicted last December, but still the greatest peace-time deficit in the country's history, 25 per cent. higher than the previous

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high mark in 1931-32 and thirty-two times as large as any deficit between 1870 and the World War, a period which included some of the worst years in the nation's history. The only reason why the deficit was not larger was because the various spending agencies of the government were slow in getting under way.

The budget of ordinary expenses for the new year is about 25 per cent. higher than in the year just past. This is due mostly to projected expenditures for our spoiled child, agriculture. What the emergency budget will run to no one quite knows. The President has wide powers. The Reconstruction Finance Corporation has a couple of billion unexpended. The Public Works Administration has a billion. Other items bring the putative total up to six billions. Thus the revenues will remain at about 45 per cent. of total disbursements.

Some of our economists think that this is all right. Others think not. The pump-priming metaphor is still used, but despite a lot of priming we have not gotten the pump of private industry to going very well. Mr. Keynes was here and talked to some important people who are said to have listened to him respectfully. He said that

for six months at least, and probably a year, the measure of recovery to be achieved will mainly depend on the degree of the direct stimulus to production deliberately applied by the Administration. Since I have no belief in the efficacy for this purpose of the price and wage raising activities of N.R.A., this must chiefly mean the pace and volume of the government's emergency expenditure.

Mr. Keynes thinks that government expenditures, exclusive of refinancing and advances to banks, should run as high as \$400,000,000 a month. Less than that might be a mere futile waste and not accomplish the priming. "So little divides a retreat from an advance." He did not define the maximum of budget unbalancing which he thought could be practised without hazard.

Mr. Keynes scorns the idea that business "left to itself" would work out its own salvation. He thinks the pump

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will not prime itself. Nevertheless the sticking point in the recovery movement remains now where it was six months ago, in the failure of employment to expand in the capital goods industries.\* Federal expenditures, so far from stimulating private expenditures, appear definitely to have retarded them, and while certain liberalizing amendments to the Securities Acts were passed at the last session of Congress the outlet for capital funds into new investment is still largely obstructed both by tangible and by psychological obstacles. Mr. Keynes admits the "perplexity and discomfort which the business world feels from being driven so far from its accustomed moorings into unknown and uncharted waters." But he doubts if it could have been avoided without "undue concession to conventional ideas." The whole question seems to be what is a conventional idea worth and how much shall we concede to it.

The government debt reached a peak of \$26,594,000,000 on August 31, 1919, when it was \$250 per capita. It had climbed to that impressive figure from one and a half billion dollars before our entry into the war. In the prosperous decade following the war (our prose writers are now busy coining descriptive adjectives for the period), the debt was reduced to \$16,185,000,000 (\$131 per capita). It is now at a new peak slightly above the war peak. Figures compiled by the League of Nations in 1933 show our per capita debt at \$214, France's at \$262 and Great Britain's at \$696, but these figures are misleading because the per capita debt in this country is heavily increased by the large obligations of states and municipalities, which would bring the figure of \$214 for the United States up to an estimated total of \$372. On the other hand, the above figures do not include the indebtedness of France and Great Britain abroad, an incubus from which this country is happily free. Other computations showing the ratio of national debt to national wealth and to national income are favorable to this country, but here again it is possible

\* See *THE ROUND TABLE*, No. 94, March 1934, pp. 314-5.

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to draw inferences which may be too sanguine. For the greatest part of the American national debt is carried in its banks. The Bank of England reports less than \$450,000,000 of government securities (at present rates of exchange for sterling), against five times that sum in Federal Reserve Banks. The ten British clearing banks report less than \$2,700,000,000 of all securities, as against \$8,700,000,000 in government securities alone in the member banks of our Federal Reserve system.

### III

THIS brings us to a consideration of the present banking situation in the United States. In the public mind the improvement in our banking situation is the most striking achievement of the New Deal. Most of the banks are now reorganized and reopened. Indebtedness of member banks to the Federal Reserve Banks and the Reconstruction Finance Corporation has been greatly reduced. Only two small bank failures have occurred in the last six months. Market values of corporation securities, notably bonds, in bank portfolios have increased. Government bonds are at record highs.

Nevertheless the present situation will not bear too close a scrutiny. In an able analysis of the condition of bank credit in the United States prepared by Mr. H. Parker Willis,\* he points out the consequences of the fact that "the banks of the country are lending less and less (only about 19 per cent. of their total advances), through commercial loans, to active business and more and more to the government. The test of soundness and liquidity is the holding of government bonds. The constant encroachment of the government in all fields of business is tending to convert the credit paper of the country into the form of government paper, and, of course, tending to take it out

\* *The Commercial and Financial Chronicle*, July 14, 1934.

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of the bank-credit form of advances to business. Many banks are basing their operations more and more upon government securities as collateral—in other words, are asking that the paper of their customers be endorsed or guaranteed by the government." Most students of banking, he thinks, would consider this an unsound situation. But we are, he says, "living in a 'new era,' in which the teachings and experiences of the past are at a serious discount, and a mere reference to former dangers is probably not enough to emphasize the lessons and warnings that are applicable to existing methods of banking in the United States."

To-day the banks (Reserve Banks, member banks, non-member banks and mutual savings banks) are carrying in their portfolios no less than sixteen billion dollars of government obligations, or 60 per cent. of our entire national debt.

The presence of this vast body of securities in the banks would be a source of instant danger, were it not for the artificial market for the bonds maintained by the Government itself, partly through the machinery of the Reserve Banks, partly through the direct purchases of the Treasury itself. It must not be forgotten (1) that the bonds are practically convertible into currency at Reserve Banks, and (2) that the so-called "stabilization fund" of some \$2,000,000,000, established under the Devaluation Act of last January 30, as well as various subordinate funds and organizations of the Government, are being used, and may be used, as the Administration desires, for the maintenance of the current prices of government issues. The Government, by its act of seizure of the gold of the banks, is the proprietor of the entire gold of the nation, aggregating 4,500,000,000 (old) gold dollars. It is the evident belief of many members of the banking community that, with these vast resources behind it, the Government can succeed in keeping the bonds at, or above, par, and the paper currency thus equal to par in government bonds. The whole banking system is thus being made to rest upon and revolve around government credit; and the entire reliance of the nation rests upon the goodness of such credit. Whereas the banks were formerly the bulwark of government credit, they are now dependent upon it.

Mr. Willis points out that the prevailing confidence that government bonds can be kept at par is not warranted,

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that the Federal Reserve Banks, denuded of their gold, "have long since ceased to be of any importance whatever in estimating the position of the nation from the standpoint of banking safety or liquidity." There is a limit to the extent to which banks may "buy" government bonds, marking up the proceeds in the form of deposit credits, which, when called for by depositors, can be paid in notes obtained from the Reserve Banks by pledging bonds. This ring-around-a-rosy stops when the public begins to suspect something is wrong. But, as Mr. Willis observes, the exponents of the New Deal in public affairs belong essentially to the same intellectual school as was responsible for the New Era of the '20's, a school which rejects experience as a guide in the affairs of men. The historians who deal in adjectives whereby to characterize decades may be bothered by the '30's. But some of them, studying the New Era and the New Deal, may retreat to the familiar Gallic aphorism, *Plus ça change, plus c'est la même chose.*

How much longer will banks be willing to place among their assets the unsecured notes of the nation representing the ability of future generations to be taxed? Federal needs are to take one-fifth of our income next year. Annual output of currency and credit is now probably nearly as high as current savings. The assets of the banks are largely represented by the evidences of our government's inability to pay its bills. Many financiers predict the emission of greenbacks or a further devaluation of the dollar or both. But there is as yet no manifestation of a panicky flight from the dollar into commodities, chattels or equities. Stocks are notably lower than a year ago. Some commodity prices are higher, but many of these are so much influenced by crop and drought conditions that they scarcely can be said to be indicative of the effects of an inflationary policy.

As for the Administration, it is said to be less confident than a year ago as to the efficacy of its monetary policy or the economically curative effect of a rising price trend. But some of the President's monetary advisers still insist

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that their medicine is good, and that all the country needs is a more liberal dose. Senator Thomas, of Oklahoma, a leader of the inflationist school, is as positive as ever. His 1,400 word telegram to Mr. George L. Harrison, Governor of the New York Federal Reserve Bank, sojourning at Basle with the central bank governors assembled for the board meeting of the Bank for International Settlements, is a model of political vehemence, if not of sound economic theory. He "warns" Governor Harrison that any step taken to stabilize the dollar with the pound or tie it to a fixed weight in gold, "is a usurpation of the powers and prerogatives of Congress."

Some bankers owning government and other fixed obligations, have acted as though they thought it would be to their advantage to retain this (the present) deflationary dollar. This might be so, provided they could do it without precipitating a social overturn or nation-wide repudiation. But the resulting ruination of farmers, bank depositors, home and other property and equity owners, by forced payment of increased taxes and unreduced debts in dollars of such greatly increased purchasing power, creates the feeling that mortgages and other contracts and the power to increase taxes are instruments of injustice. By attempting to hold us to this unjust dollar, you are helping to undermine the social sanctions upon which our free institutions rest . . . Our people must control their own money. England is the creditor end of the British Empire, just as Wall Street, which you represent, is the creditor end of the United States . . . The purchasing power of the dollar must be reduced to at least the level of 1926 . . . Your reported activities can lead to so many serious consequences, that I am communicating with my fellow members of Congress concerning them.

Mr. Harrison returned to the United States on the same boat with Mr. Montagu Norman. How will Mr. Thomas's friends in Congress regard so dire a portent?

## IV

**I**N the general flux and turmoil, the N.R.A. has not been undisturbed. In May there was an enlivening period when Mr. Clarence Darrow pointed out its evils, and General Johnson its virtues. Mr. Donald R. Richberg,

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who is becoming more and more prominent in the affairs of the N.R.A., is for economic planning,

an ideal in harmony with political planning for self government . . . in harmony with the ideals of those who first wrote the Declaration of Independence, and then the constitution of the United States. To preserve and to fortify our democratic institutions, we are in effect seeking to write an economic constitution for the establishment of self-government in industry. If we can write into that constitution a representative form of government, based on a free choice, a free functioning of the representatives of all interests, using the sanction of political government merely to enforce the considered judgments of the majority, we may devise a method of industrial self-control which will last long after the present experiments in political control in other nations have disappeared.

But, apparently disheartened by the case of the pants presser in New Jersey who undercut the code price, the authorities are giving up the codes in "personal" service industries. Price-fixing provisions are no longer to be put into new codes. The Recovery Administration now (July 16) describes itself as "endeavouring in the light of its experience to formulate general policies so that interested parties and the organization itself may know and work toward definite N.R.A. aims." This can scarcely be construed as other than an admission that N.R.A., after thirteen months of existence, does not know its own definite aims and has not formulated its general policies.

But Dr. Rexford Tugwell, who has now been confirmed by the Senate as Assistant Secretary of Agriculture, is cheerful. He sees two doctrines of despair to be combated, one "the apparent belief that what is known as 'business recovery' is the one panacea. All the while industry is making technological improvements. I find little evidence that advocates of 'business recovery' are weighing the consequences of technology; if they have any realization of what may happen, I have not heard of it. Among those who are obsessed with the speciously simple 'recovery' formula, there seems scant recognition of the human deterioration among the unemployed." A caustic person might

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observe that among those obsessed with the speciously simple "reform" formulas, there seems scant recognition of any of the realities of life.

The secret of converting copper into the best gold was familiar to the alchemist Arnold of Brussels shortly before the discovery of America. All that was necessary was to take hens and put them in captivity so that they could not eat anything but beans. Then one took fifteen eggs from them, put them in a secret place, and let them stand until they were reduced to one. Then they were taken and put in a furnace and allowed to burn "with sufficient combustion." From this powder the best gold was obtainable, but only, the alchemist observed, "if you know how to operate wisely."

Alas, that Arnold of Brussels is not now accessible in our hour of need. For no doubt he knew how to operate wisely. Perhaps he could have calmed the new and disruptive discontent of labor and averted the general strike in San Francisco. The causes and significance of these labor disturbances are too profound to be dealt with in the compass of this article; it must only be said that we have certainly not seen the end of them.

But it must not be thought that we have achieved nothing permanently constructive or valuable in the last three months. On the evening of July 17, Jack Dillinger, America's most celebrated gangster criminal, walked out of the Biograph Theatre in Chicago into a federal police trap. Fifteen federal officers, who had lain in ambush for him for two hours and four minutes, closed in on him, and, as he was drawing his gun, shot him dead.

United States of America.

July 28, 1934.

## THE PROTECTORATES AND THE UNION

A PROBLEM that has long been lurking in the shadows of South African politics has recently been thrust right into the limelight. That problem is the future of the Crown Colony of Basutoland, the Protectorate of Swaziland, and the Bechuanaland Protectorate, the three Imperial native territories in South Africa, hereinafter called for convenience "the protectorates." It is a problem that concerns the European and Bantu inhabitants of the three territories, the British Government whose High Commissioner rules them, the British taxpayers who assist them with grants-in-aid, the Union of South Africa whose territory either surrounds them or whose borders march with theirs for many hundreds of miles, and also the people and Government of Southern Rhodesia and the British South Africa Company.

Since the war voices have been raised from time to time in favour of transfer, either from within the Union or from the tiny European communities in the protectorates. In 1925 the newly installed Nationalist-Labour Government presented the British Government with a formal note asking for transfer; but, on being told that "certain obligations" made it impossible at the moment, they did not press the point. Again, at the abortive London Economic Conference of 1933, Union Ministers discussed the matter privately with the Secretary of State, and this time they were told that the moment was not propitious. Now they feel that their case is stronger. The Tshekedi incident in the latter part of 1933,\* recently published

\* *THE ROUND TABLE*, No. 94, March 1934, pp. 438 *et seq.*

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information on the backward condition of the protectorates, and, finally, the coalition between the main bodies of the Nationalist and South African parties, have all encouraged them to revive their proposal. Towards the close of April General Hertzog raised the issue pointedly in the House of Assembly,\* and there are those who believe that the forthcoming visit to Great Britain of his very good colleague, General Smuts, will not be occupied solely with his installation as Rector of the ancient University of St. Andrews. This being so, it may be well to state shortly what these protectorates are, how Great Britain came to be possessed of them, and, as far as can be estimated, the case for or against transfer as seen by the parties most directly concerned in South Africa.

### I. THE THREE TERRITORIES

**B**ASUTOLAND, wedged in between the Cape, the Orange Free State and Natal, alone of the three areas is entirely surrounded by Union territory. Swaziland is bounded on three sides by the Transvaal, and on the east by Portuguese East Africa. The Bechuanaland Protectorate, on the other hand, has many neighbours: the Transvaal to the east, the Cape Province to the south, the mandated territory of South-West Africa to the west and north, and Southern Rhodesia to the north-east. The geographical situation of the territories is thus important. Whatever happens in any one of them affects one or more neighbours; conversely, whatever happens in neighbouring territories affects them. For not even an Imperial protectorate can live to itself alone.

The Bechuanaland Protectorate is far and away the largest of the three. It has never been surveyed accurately, but it covers at least 275,000 square miles, say three-fifths of the area of the Union itself, or three times that of Great Britain.

\* *Cape Times*, April 26, 1934.

## The Three Territories

Basutoland is much smaller, some 12,000 square miles, rather less in area than Switzerland, which it resembles so closely, both in configuration and in its enclosed position in a State system. Swaziland is smaller still, a mere 7,000 square miles, equivalent to the area of Northern Ireland. Taken together, the protectorates cover nearly 300,000 square miles, an area one and a half times that of Germany.

It is hard to estimate the numbers of their inhabitants, since no authoritative figures are available since 1921. What is certain is that Basutoland is much the most densely populated of the three, for there were nearly 500,000 Basuto at that date. Swaziland came next in density with 110,000, and Bechuanaland a bad third with 150,000. Taking the three territories together, there were then some 6,000 Europeans, including officials and their families, nearly half of them in Swaziland, and close on 3,000 coloured folk and others. It would not be far wrong to say that there must be to-day nearly 1,000,000 Bantu all told, perhaps half of them in Basutoland, as against 10,000 or 11,000 Europeans and coloured people.

The means by which Great Britain became possessed of these territories has an important bearing on the problem of transfer to the Union. None of them was taken by conquest; the chiefs came under British rule either at their own request (in Basutoland and Bechuanaland) or by treaty (in Swaziland), and all in the furtherance of the aims of British policy. Under these circumstances certain questions have to be faced squarely. Can the British Government divest itself of its responsibilities unless the tribesmen agree that it should? And ought the Union to ask it to do so?

To tell the full story of the annexations and the causes thereof would be to traverse nearly a century of South African history. It is sufficient here to recall that in the eighteen-thirties Moshesh, chief of the Basuto, probably the ablest man that ever ruled a Bantu people, built up a confederacy of tribes in the mountainous area that lies

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to the west of the Drakensberg, the backbone of South Africa, and in the adjacent cornlands that lie on either side of the upper Orange and Caledon rivers. Competitors for those cornlands appeared presently in the shape of European emigrants from the Cape Colony. The pushing and jostling for lands to which neither party had an unimpeachable claim led at last to heavy fighting between the Basuto, who were determined to hold on to all they could, and the Free Staters, who were moved by a like ambition and by a resolve to break up the Basuto confederacy. The Basuto war of 1865-68 either actually involved, or threatened to involve, all the South African states and colonies, till at last the then High Commissioner, Sir Philip Wodehouse, having wrung a reluctant assent from the Secretary of State, promptly exceeded his instructions and annexed Basutoland outright, trusting to come to terms with the Free Staters about frontiers afterwards. In spite of his frontiersmen, President Brand agreed to divide the cornlands fifty-fifty. All to the west of the Caledon went to the Free State, which still speaks of them as the Conquered Territory ; on those to the east of the river, the Basuto were enabled to maintain their tribal life, though with increasing difficulty.

For some years, from 1871-84, Basutoland was administered as a separate territory by the self-governing Cape Colony ; but attempts to disarm the tribesmen, combined with threats to some of their land, led to a war in 1880, in which the colonial levies got the worst of it and the peace of the Free State was imperilled. In the end, the Cape handed Basutoland back to the Imperial authorities in 1884, and in their hands it has been ever since.

The story of Swaziland is even more chequered. Swaziland slopes down from the eastern edge of the Drakensberg in three great steps to the low Lebombo mountains, which separate it from Portuguese East Africa. The topmost strip, the high veld, 4,000 feet up, is healthy and

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well-watered ; the next, the middle veld, is at least well-watered, but the last, the low or bush veld, is hot in summer, malarious, and poorly watered. In the early days, the Swazis were usually the good allies of the Transvaalers, if only from fear of the neighbouring Zulus. But Swaziland lies between the Transvaal and Delagoa Bay, and in 1875, when the Transvaal was contemplating a railway to that port, Mbandini, king of the Swazis, was induced to set his mark to a treaty which made him a subject of the republic. Then came the British annexation of the Transvaal and Swaziland and all, and in due course the retrocession. But Swaziland was not returned. Both the Pretoria Convention of 1881 and the London Convention of 1884, which superseded it, guaranteed the Swazis their independence.

Presently Swaziland became the scene of a wild scramble by concessionaires, behind whom moved the rival Governments of Natal and the restored South African Republic seeking to gain control. Soon the bibulous Mbandini had given away almost every concession that the wit of man could devise, and then his unhappy country was caught up in the web of Imperial policy. To cut a long story short, by the Swaziland Convention of 1894, the territory was placed under the administration of the South African Republic, but to the very end Great Britain refused to allow President Kruger to incorporate it completely in his State. At the close of the South African war, Great Britain, having annexed the Transvaal and its dependencies, placed Swaziland under the control of the Governor of the new Crown Colony ; but in 1906, just before the Transvaal was granted self-government, it transferred the administration to the High Commissioner. Meanwhile the now defunct Mbandini's concessions had been laboriously disentangled, with the result that, as far as land was concerned, about one-third of Swaziland remained to the tribesmen, while the rest was either secured to the concessionaires or became Crown lands.

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The story of Bechuanaland is also a complicated one. The whole region that is loosely called Bechuanaland lies along the western borders of the Orange Free State and the Transvaal. The eastern belt, nearest to the two ex-republics, is comparatively hilly, thinly covered with grass, shrubs and trees, and moderately furnished with *fonteins* (springs). To-day bore-holes usually find water there. But though vegetation persists in the vast undulating bulk of the territory further west, surface water is lacking and bores too often strike solid red granite. The central area fades away into the Kalahari desert, of which the less said the better. Malaria is prevalent more or less throughout.

The key to the history of Bechuanaland is the eastern strip, for it is very fair cattle country, and through it ran first the Missionaries' Road from the Cape to central Africa, and, later on, the Cape-to-Cairo railway. From time to time, from the eighteen-forties onwards, the Transvaalers laid claim to varying extents of the country, but for numerous reasons—usually British opposition—they never made good those claims. The crisis came in 1885. Spurred on by fear that the Germans, who had just established their footing in south-west Africa, would join hands with the expansive Transvaalers and thus cut off British and colonial trade from central Africa, the Imperial Government sent Sir Charles Warren up with troops to warn off white competitors. Bechuanaland south of the Molopo river became the Crown Colony of British Bechuanaland, while, by arrangement with the chiefs, the rest of the territory farther north so far as the borders of Lobengula's Matabeleland became the Bechuanaland Protectorate.

It was through the Protectorate that Rhodes's British South Africa Company advanced to occupy the Rhodesias; indeed, under the charter of 1889, the Protectorate was described as part of the "principal sphere" of the company's operations. Rhodes always hoped that it would pass under Chartered rule. That did not happen. In the middle of 1895 British Bechuanaland was indeed incor-

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porated in the Cape Colony, of which Rhodes was Premier ; but in face of the protests of the leading Bechuana chiefs, led by Khama, chief of the Bamangwato, no more than a railway strip along the Transvaal border was handed over to the Chartered company. It was from that strip that some of the Jameson Raiders started at the New Year of 1896, thus effectually ending all immediate prospect of any further transfer to the company. The long-drawn-out South African war of 1899—1902 rendered any comprehensive settlement difficult ; but it can be said that between 1895 and 1904 Khama and other chiefs accepted substantial reserves ; title to the lands in the Tuli, Gaberones and Lobatsi Blocks along the railway and the Transvaal border, and in an isolated block near Lake Ngami, was vested in the company under certain reservations ; while the remainder of the lands, a very considerable area, were vested as Crown lands in the High Commissioner. Further, the British South Africa Company retained certain mineral rights, a fact that will have to be considered if the question of transfer to the Union or anyone else is to be carried through.

All three protectorates are administered under the Dominions Office. The High Commissioner is in effect Governor. He legislates by proclamation and administers through a resident commissioner in each territory, and through a civil service which is distinct from the British colonial service and which, since union, has been staffed to a considerable extent by South Africans in order to ease the transition to Union control, which has never been lost sight of. In Basutoland the chiefs retain a large amount of jurisdiction, adjudicating in purely native cases, subject to an appeal to the magistrates' courts. A further appeal lies to the court of the resident commissioner, on which, since 1928, a judicial commissioner may sit either alone or with the resident commissioner. A final appeal lies to the Judicial Committee of the Privy Council. The Pitso, the Basuto national council, consisting of 95 members nomin-

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ated by the chiefs and five nominated by the Government, meets regularly to advise on native affairs, but possesses no executive powers.

The system is much the same in the large tribal areas of Bechuanaland and Swaziland. Since 1920 the Bechuanaland administration has been assisted by two advisory councils, the one European, the other Bantu, while in Swaziland a European advisory council has been elected regularly since 1921. In both territories appeals from the magistrates' courts have lain, since 1912, to a special court presided over by a judge or advocate of the Supreme Court of the Union.

The revenues are exiguous and expenditure necessarily hardly less so :—

1931-2.	Revenue.	Expenditure.
Basutoland	£266,869	£280,189 (Education, £45,734; Police, £35,415)
Bechuanaland	£106,635	£155,820 (Police, £29,813; Capital Works, £27,548; Education, £5,022)
Swaziland	£111,839	£118,756 (Police, £17,756; Allowances to Chiefs, £14,288; Public Works, £13,912; Education, £10,531).

Those figures speak for themselves. With resources such as these not even the most enlightened administration can do much to further the material or spiritual progress of the tribesmen committed to its charge. Those figures also constitute one of the strongest arguments of the Union, and of the Europeans within the protectorates who desire it, for a speedy transfer to the Union.

## II. ARGUMENTS AND OPINIONS

**A**S far as can be judged in the present nebulous stage of the debate on transfer, the Europeans in Basutoland are interested but divided, while the more considerable body in Swaziland hesitates to express an opinion until the conditions of transfer are made clearer. The real agitation for transfer comes from the European farmers in Bechuanaland.

## Arguments and Opinions

These dwell in the three blocks along the railway line and the Transvaal border, and the Ghansi block near Lake Ngami, which have already been mentioned, and in the Tati district further north on the borders of Southern Rhodesia. In 1924 and 1926 many of the inhabitants of the three railway blocks petitioned the United Kingdom Government and the Union Government for at least the incorporation of those areas in the Union. Their request was refused; but now, in response to General Hertzog's pronouncement, a delegation from Tuli, Gaberones and Lobatsi, with the support of the distant men of Ghansi, has repeated the demand. The deputation claims to speak for 98 per cent. of the adult white population in the three first-named areas, but it is clear that some are hanging back; for the deputation states that some traders would probably support the movement for transfer if they could be assured that the transferred territories would not be swamped by "an undesirable type of trader, such as Asiatics and so on," who would exploit the natives and menace old-established firms. The deputation also observes that representation in Parliament would facilitate matters. Tati, for its part, looks for incorporation in Southern Rhodesia.

There is much to be said for the point of view of the small and isolated European communities in Bechuanaland, and indeed in the other Protectorates. The geographical and administrative advantages of incorporation are as clear to them as they are to the Pretoria authorities. Many of them are bound to the Union by ties of blood or marriage; all of them, and their Bantu neighbours also, are really parts of the Union's economic system; they are treated as parts of the Union for customs purposes; their law is based on that of the Union or, at the least, of the old Cape Colony; a Union lawyer presides over their highest local courts. They can hope for more assistance from the comparatively wealthy Union than from their own poverty-stricken Governments; they can hope to avoid the embargoes that

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for one reason or another the Union is apt to put upon their cattle, far and away the principal product of the protectorates ; they can expect greater facilities for the prospecting and working of minerals, which are at present limited to a little gold- and tin-mining in Swaziland, to the merest beginnings in the non-tribal areas of Bechuanaland, and to nothing at all in Basutoland.

Most of the above-mentioned arguments when turned the other way round become the Union's arguments for the transfer of the protectorates. Representatives of the great Johannesburg mining interests came out strongly in favour of immediate transfer even before any official pronouncement was made in Parliament, and one London paper even suggested that the campaign for transfer would furnish "a rallying point for the new party fusion," appealing on the one hand to Afrikanders anxious to see the last of Imperial rule in southern Africa, and on the other to Rand interests keen to develop the minerals of Bechuanaland and to draw upon the supplies of native labour more freely even than they do at present. There is truth in that interpretation, though by no means the whole truth. It is further stated openly, sometimes with approval, sometimes with disapproval, that the inclusion of the protectorates would give the Union great areas of Crown land with which it could implement its promise made long ago, on the passing of the Native Lands Act of 1913, to give the Bantu more reserves in exchange for the limitations then put upon their right to purchase land freely. Crowded Basutoland and Swaziland would not afford any relief ; there are probably few responsible people to-day who would repeat the bland suggestions of the Prime Ministers of the Orange Free State and Natal at the time of Union that the Basuto should be asked to give up part of their country in exchange for land in the Bechuanaland Protectorate. But the fact remains that there are vast empty tracts in Bechuanaland available as reserves, and though the quality of much of that land is poor, a good deal could be done with

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it by an administration that was prepared to spend money. But whatever weight may be allowed to these considerations, it would be unfair to the Union Government and people to rank them above the administrative considerations that General Herzog put forward in Parliament.

Economically, the interests of the territories are inseparable from the Union. It is to the Union that they must look for an outlet for their marketable produce. Swaziland, it is true, geographically could find an independent outlet to the outer world through the Portuguese port of Lourenço Marques, but from a practical point of view this is a possibility hardly worth considering, and the Portuguese territory could offer no prospects as a market. At present, and for as far ahead as anyone can see, the native inhabitants of the territories are, and must continue to be, dependent for their livelihood on employment in the Union. The gold mines of the Witwatersrand alone employ at present about 45,000 native labourers from the three territories, and without their earnings the communities from which they are drawn could not maintain themselves. The tribal lands are no longer adequate for the support of their people on the tribal methods of cultivation. Basutoland is a tragic example of neglect. Overstocking, primitive methods of cultivation and soil erosion on a vast scale have ruined the productive capacity of the land, and the family incomes cannot meet requirements without the earnings of the able-bodied men in the labour market of the Union. A large expenditure is required immediately if the soil of Basutoland, or what remains of it, is to be preserved from erosion and exhaustion.

The maintenance of peace and order in the territories is also a matter that very intimately concerns the Union. There is no force in the territories capable of dealing with any disturbance of the peace on a large scale. In the Tshekedi affair, as will be remembered, the naval squadron at Simonstown was called upon to carry out a demonstration in force in Bechuanaland, but distance, to say

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nothing of other considerations, would make it difficult to rely upon the navy in a case of sudden and real emergency.

It is from the native peoples themselves that there comes the chief opposition in South Africa to the proposed transfer. It may be that many natives in Bechuanaland are in favour of transfer, but fear to speak out. In any event, they have not spoken out, and the only authentic Bantu opinion we know at the moment is dead against transfer, as it has always been. The chiefs petitioned Prince George, during his recent tour of southern Africa, that they might remain under the Crown ; since then the executive committee of the Cape Native Voters' Convention has declared against transfer. The protectorate natives may be poor, and some of them may grumble against the half-hearted system of dual control, which guarantees to their chiefs their remaining powers and yet relieves them of the healthy checks and responsibilities of untrammelled tribal life ; but the chiefs feel that their powers are safe, their followers feel that their lands are safe, and all of them feel that, on the whole and within the means at their disposal, their rulers are sympathetic. Loyalty to the chief is still among the Basuto and Swazis a deep and powerful sentiment, and that same sentiment would influence them to resist being removed from the direct government of the King to an impersonal power like the Union Government, of which they know little and to which that little does not attract them. The Basuto hold strongly to the tradition that when their chief Moshesh surrendered to the Imperial authorities it was promised that the nation would always be ruled by the Great Queen or her successors. They will not be easy to persuade that a transfer to the Union is not a breach of that promise. "Tell her Majesty," said Moshesh, "that I have given her myself and my blanket, and the lice in my blanket." To-day, as the mail train crosses the Caledon river bridge to make the run to Maseru, the administrative capital, over the solitary mile of line in all Basutoland, a Basuto policeman comes stiffly to attention

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beside the tall flagstaff from which floats the Union Jack.  
He stands there for his people, the lice in the blanket,  
whom Father Moshesh gave to the Great Queen.

### III. NATIVE POLICY AND THE SOUTH AFRICA ACT

THE problem of the future status of the three protectorates thus largely turns on the "native question." This, indeed, was recognised by the framers of the South Africa Act of 1909, who accordingly attached certain conditions to the transfer that they obviously contemplated would take place before long. Section 151 of the Act lays down that

The King, with the advice of the Privy Council, may, on addresses from the Houses of Parliament of the Union, transfer to the Union the government of any territories, other than the territories administered by the British South Africa Company, belonging to or under the protection of His Majesty, and inhabited wholly or in part by natives, and upon such transfer the Governor-General in Council may undertake the government of such territory upon the terms and conditions embodied in the Schedule to this Act.

The Schedule was the result of a compromise.\* Lord Selborne desired to extend to the protectorates after transfer a system that had been instituted in Natal after the Zulu rebellion of 1906, whereby an expert and more or less permanent commission should rule, subject only to the most general control by the Union Parliament. The South African politicians, fearing an *imperium in imperio*, would not consent to it. At an early stage the High Commissioner, speaking for the Secretary of State, had to warn them

that it would be practically impossible to secure the assent of the House of Commons and the country here to any Constitutional Act

\* An account of the negotiations and some of the correspondence that passed between Lord Selborne, the then High Commissioner, and Sir Henry de Villiers, who as President of the National Convention stated the views of the South African delegates, can be found in *Lord de Villiers and His Times*, by E. A. Walker, chap. xxv.

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which failed explicitly to provide for the security of the native population in the protectorates;

and thereafter he and the Colonial Secretary gave way on many points, "fully relying," as Lord Crewe said on one occasion, "on the Union Parliament to deal with these matters in a reasonable and liberal manner."

The effect of the Act and the Schedule is that any territory transferred is not to be incorporated in the Union, but is to be administered as a separate territory, under the Prime Minister, advised by a permanent commission. The legislative authority is not to be the Union Parliament, but the Governor-General in Council. His proclamations in that capacity would have to be laid before Parliament, and would have to be repealed if both Houses should, in the same session, pass resolutions requesting repeal. Otherwise the Union Parliament is to have no direct control over the territory, nor is there to be any direct representation of the inhabitants in Parliament. The King may disallow any such proclamation within one year from its date. No land in Basutoland, and no land forming part of native reserves in the other two territories, is to be alienated from the natives. It is not necessary to discuss in detail the other provisions of the Schedule to the Act in which this form of government is prescribed, beyond making it clear that what was intended by transfer of any of the territories was not incorporation in the Union, but government as a separate territory, with due regard to native interests. Any Bill passed by the Union Parliament amending or altering the provisions of the Schedule has to be reserved for the signification of His Majesty's pleasure.

In one important respect, however, the constitutional effect of the Schedule has been changed since the passing of the South Africa Act. At that time disallowance by the King and reservation of Bills for the signification of His Majesty's pleasure involved reference to an authority outside the Union. But since the Imperial Conference of 1926 it has been an accepted principle that, in exercising

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powers of disallowance in respect of Dominion legislation, or dealing with Bills of a Dominion Parliament reserved for the King's pleasure, His Majesty should act upon the advice of his Ministers in that Dominion. This principle has now been made part of our South African law by the Status Act passed last session. It is clear, therefore, that the inhabitants of a territory administered under the Schedule will no longer be able to look to the Imperial Government as an ultimate controlling power over any legislation or amendment of the Schedule by the Union Parliament. There can be no doubt that this consideration weighs heavily with the native peoples of the territories in forming their opinion on the question of transfer.

It must be recognised, however—as it always has been recognised—that, at any rate in the case of Basutoland and Swaziland, transfer to the Union is ultimately inevitable. It is impossible to conceive that these two small enclaves in Union territory can continue indefinitely to be administered by a different Government. The case of the Bechuanaland Protectorate is not so obvious. Parts of it may find a closer affinity with Southern Rhodesia. But that it can continue its separate existence indefinitely is also unthinkable. Recognition of this fact has had, at any rate since the Act of Union was passed, a paralysing effect upon the administration of the territories. This is in itself a strong reason for taking action in the near future. The only justification for a refusal to terminate the present state of uncertainty, so detrimental in its effects on both parties, must be a reversal of the hitherto accepted policy regarding the ultimate destination of the territories.

The reason most commonly urged against transfer is distrust, or positive dislike, of the policy of the Union in native affairs. The colour bar, whether legal or customary, by which natives are excluded from most skilled occupations, the pass laws, the lack of interest in native education, all have their part in creating an atmosphere hostile to the handing over of these native peoples to the Union Govern-

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ment. No doubt, the Union's record in native administration is on many points open to criticism. On the other hand, the impression created in certain quarters, that the attitude of the Union Government to its native people is one of selfish injustice, is quite unjustified by the facts. The Transkei, where large native communities are living under an efficient and progressive system of local self-government, is an object lesson which should be allowed to count for something on the other side. Overseas critics, moreover, will do well to remember that it is not a question of an illiberal Afrikaner policy against a potentially liberal British policy. Some of the most outspoken champions of "White South Africa" are men of British stock, and conversely there are Afrikaners who hold a thoroughly liberal policy.

The suggestion which is sometimes made in England, that the Union should produce an acceptable "native policy" before the question of transfer could be considered, is not a reasonable contribution to a solution of the problem.\* What is usually called "the native question" here covers the whole ground of the relations, political, social and industrial, between white and black in South Africa. These are matters of growth and development in public opinion, which, as it moves, is reflected, and to some extent directed, by changes in government policy and action. No statement of policy in set terms could adequately lay down the lines on which that development should proceed.

It may safely be asserted that even those South Africans who hesitate to see their Government take over the protectorates, at all events until it has proclaimed its future policy for the natives already in the Union, would agree that, if the terms of the Schedule were loyally carried out, the protectorate natives would not suffer and might even benefit. They have every reason to believe that their present Ministry, which contains a strong liberal wing,

\* See p. 802 for the opinion of Lord Selborne's committee on this point.—EDITOR.

## Native Policy and the South Africa Act

would conform to the Schedule in letter and in spirit. The real safeguard for the Schedule lies, where it has always lain, at all events since the war, not in the right of reservation but in the good sense and decency of the majorities in the Union Houses of Parliament.

Nor can one regard the opinion of the natives as entitled to the decisive word on a question such as this, involving as it does considerations of their present and future interests which the great majority of them are not capable of appreciating. It is on such considerations that the question must ultimately be decided, and it should not be beyond the reach of statesmanship to lay down a system of government, with the guarantee of the Union Government and Parliament, which would be satisfactory to the European friends of the natives, and which the natives could be advised to accept. In any case action should be taken soon one way or the other. The worst policy is that of drift and suspense.

Meanwhile, the Dominions Secretary has repeated the promise, made from time to time by himself and others of equal authority from 1909 onwards, that there will be no transfer without adequate discussion at Westminster, the fulfilment of the terms of the Schedule, and consultation with the European and Bantu inhabitants of the protectorates—a reminder that transfer must take some time to effect. But we are wondering whether the appointment of Sir William Clark as High Commissioner in succession to Sir Herbert Stanley, with the brand-new title of "High Commissioner for Basutoland, the Bechuanaland Protectorate and Swaziland," presages a brand-new and more amply financed Imperial policy. For that alone could provide a sufficient answer to the strong Union claim for speedy transfer.

South Africa.

July 1934.

## The Protectorates and the Union

### IV. A POSTSCRIPT FROM LONDON

WHATEVER may be the force of the arguments for the immediate transfer of the three protectorates to the Union, it is clear that British official and public opinion is not ready to accept them without the most careful investigation. The arguments in favour of transfer are not, perhaps, fully known in the House of Commons; nor, perhaps, is it yet generally recognised there that on any reasonable interpretation of the South Africa Act the present régime in the protectorates was intended to be no more than temporary. An informal parliamentary committee, under the chairmanship of Lord Selborne, has been formed to consider the whole problem. It has so far expressed no opinion on the rights and wrongs of transfer, but it has carefully analysed the constitutional position. It has pointed out that the passage of the Statute of Westminster and the Status Act does not alter the fact that the general conditions (though not the time) of transfer were agreed between South Africa and the United Kingdom Parliament and set forth in the Schedule to the South Africa Act. Now that the security originally contemplated for their observance has been removed, clearly some new agreement to replace that security will be necessary which is appropriate between autonomous communities within the British Commonwealth. In the committee's view,

It does not seem reasonable to ask either the native or the European inhabitants of the territories to express an opinion on the proposed transfer before the report of the Select Committee (of the Union Parliament on native affairs) has been published or before they know the native policy which the South African Government and Parliament have adopted.

Caution is the key-note of informed British opinion on this matter. Parliament clearly recognises its obligations towards the inhabitants of the protectorates, and knows, moreover, that its decision is bound to have repercussions far beyond the borders of the Union.

## CRISIS IN THE CANADIAN CONSTITUTION

SINCE the law and custom of the Canadian constitution were last reviewed in *THE ROUND TABLE*,\* far-reaching changes have resulted from the Imperial Conference of 1930 and the Statute of Westminster. Round these changes, which are of general or possible application to the British Commonwealth as a whole, has gathered a voluminous literature of exposition and criticism, to which no one would lightly wish to add. On the other hand, many of them have a special Canadian aspect which deserves attention. There have also been developments in Canada concerning the Judicial Committee, and the interpretation of the law of legislative powers, while the economic situation has exposed fundamental defects in the working of our constitutional law and has noticeably aroused the public awareness of these problems.

### I. THE GOVERNOR-GENERAL

THE Imperial Conference of 1930 laid down certain rules regarding the office of Governor-General. The parties interested in his appointment are His Majesty, whose representative he is, and the Dominion to which he is appointed. Constitutional practice, to the effect that His Majesty acts on the advice of his responsible Ministers, applies to the appointment of a Governor-General, the Ministry responsible for the advice being that of the Dominion. The channel for communication between His Majesty and the Dominion is a matter that concerns them

\* See *THE ROUND TABLE*, No. 89, December, 1929.

## Crisis in the Canadian Constitution

alone, and the manner in which the instrument containing the Governor-General's appointment should embody the principles thus set forth is also a matter upon which His Majesty is advised by his Ministers in the Dominion.\*

In the spirit of these agreements, and on the responsibility of the Canadian Cabinet, the letters patent of June, 1905, constituting the office of Governor-General for Canada, were revoked, and in March, 1931, new letters patent were issued under the Great Seal of the Realm, and the royal warrant authorising its application was countersigned as the law demands. This royal warrant contained for the first time a statement recording that the proceedings were taken at the request and on the responsibility of the Prime Minister of Canada, who also countersigned the Governor-General's commission. Obviously there has been advance towards constitutional autonomy, as well as an inexplicable compromise. There does not appear to be any reason in law or practice—and certainly none exists in the British North America Act—why the letters patent should not issue apart from any intervention by a Minister in the United Kingdom. The matter, however, may be of little importance, as the action taken in March, 1931, does not necessarily bind Canada for the future.

The instruments and instructions are of more interest. There are a few changes of significance: there is no longer any mention of instructions by order of the Privy Council or through one of His Majesty's Principal Secretaries of State, and leave of absence can be given to the Governor-General by the Dominion Prime Minister. These signs of constitutional progress, however, are of little import compared with the survivals that continue. The Governor-General is still ordered to transmit to London all laws assented to by him or reserved by him, with marginal abstracts, along with fair copies of the journals and minutes of the proceedings of the Parliament of Canada. It is very difficult to understand either why such instructions were

\* Cmd. 3717, p. 27.

## The Governor-General

included or how they can be carried out. They have been defended on the ground that, although assent and reservation are governed by the resolutions of the Imperial Conferences of 1926 and 1930, yet the British North America Act in this respect still remains law. The defence is an ingenious administrative afterthought invented to cover lack of skilful insight ; and, as a matter of fact, it both proves too little and proves too much. We might well ask, if the argument were sound, why the instructions do not specifically include everything that the Governor-General is ordered to do by the British North America Act. We might also ask, under what law—it is certainly not the British North America Act—is the Governor-General to annotate the laws of Canada that are passed, or forward to England the fair copies of the minutes and proceedings of the Parliament of Canada.

Then, too, since the Governor-General is the personal representative of His Majesty and "is not the representative or agent of His Majesty's Government in Great Britain or of any department of that Government,"\* where is all this meticulously safeguarded material to be sent ? On the basis of existing agreements, the guardianship can be only of the kind provided in such unfortunate terms by the Imperial Conferences for the Colonial Stock Act,† and presumably some peculiar shrine will be created

\* Cmd. 3717, p. 27.

† The safeguards of the Colonial Stock Act were recently brought in question when the Government of the Union of South Africa proposed to repeal the section of the South Africa Act, 1909, under which Union legislation may be disallowed. After consultations with the Government of the United Kingdom, the Union Government gave a voluntary undertaking, which is to replace the constitutional safeguard. South African legislation that appears to the United Kingdom Government to alter any of the provisions affecting trustee stocks to the injury of stockholders, or to involve a departure from the original contract with them, will not be submitted for the royal assent except after agreement with the United Kingdom Government. A Bill has been presented to Parliament at Westminster authorising the Treasury to accept an undertaking in the agreed form from any Dominion Government that prefers this alternative to the existing constitutional provision.—EDITOR.

## Crisis in the Canadian Constitution

for the purpose in London. No other argument can justify either sending the laws of Canada and like documents to England, or the exercise of the discretionary power of reservation. More unfortunate still is the survival of express instructions to the Governor-General to take into his own special consideration, after receiving ministerial advice, any criminal case where a pardon or reprieve would affect the rest of the Empire or any place beyond the jurisdiction of the Canadian government. Not only is the retention of such a clause singularly inexpert, but the clause itself is unworkable. It assumes a situation in which the Canadian Ministers would not decide with wisdom and statesmanship, while action under it would place the Governor-General himself in an impossible position.

The truth is that the whole question of the Governor-General's instructions has never been squarely faced, nor the propriety of their continuance in any form examined. The instructions are given on Canadian advice and are drawn up in Ottawa. There is no necessity for them whatever, and any reference to them ought to have been eliminated from the letters patent, since both the reference and the instructions themselves are relics of outworn conditions. Indeed, it is unfortunate that the office of Governor-General was not recreated as a viceroyalty in the fullest legal sense. Whatever the changes in custom may have been, he remains in law an officer whose powers and functions, while ample and adequate for the executive government of Canada, are yet definite and defined. In addition, he is still under legal disabilities imposed by statutes of the United Kingdom. It would be wise to place the entire procedure of appointment under the Canadian Seal, while in the future the exact ambit of the viceregal prerogatives must be worked out in Canada.

## The Statute of Westminster

### II. THE STATUTE OF WESTMINSTER

THE Statute of Westminster has given Canada and its provinces certain powers, some of which need reconsideration, while at the same time it has introduced further statutory rigidity. Under the influence of the Prime Ministers of Ontario and Quebec,\* the Prime Minister of Canada was forced, during the Imperial Conference of 1930, to leave vague certain aspects of the proposed Statute of Westminster until he had consulted the provinces. The result of the consultation was that the Statute excludes all constituent powers in Canada. The British North America Acts, 1867-1930, are specially protected, and it is clear that any future amendment to them enjoys a similar protection†. We shall return to this subject later. Other aspects of the Statute of Westminster are of importance here. Canada has already begun to exercise its powers under the Statute. The disputes over extra-territorial legislation have been disposed of by a statute that gives extra-territorial force to every statute of Canada enacted before December 11, 1931, which explicitly or implicitly was intended to have such application.‡. This precedent will be followed in future federal legislation. We need not discuss the dangers that are supposed to lurk in the exercise of such power, as they are problematical and concern the United Kingdom as much as Canada. One point of importance, however, does arise. Canada and, more recently, the United Kingdom have passed statutes on the nationality of married women in the terms agreed on at the Hague Conference of 1930 and the Imperial Conference of the same year.§ Under this legislation a Canadian woman does not lose her status as a Canadian citizen and subject of His Majesty if she does not acquire her husband's

\* *Law Quarterly Review*, Vol. 48, pp. 191 *et seq.*

† *Juridical Review*, Vol. 45, pp. 337-8.

‡ The Extra-Territorial Act, 1933 (23 and 24, Geo. V., c. 39).

§ Cmd. 3717, p. 22.

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nationality on marriage.\* No other State in the British Commonwealth has adopted similar legislation. Are the Canadian women affected subjects of His Majesty only in Canada and in the United Kingdom, and not in the other Dominions? There is no evidence that the statute of the United Kingdom is intended to apply to Australia, New Zealand, South Africa, and the Irish Free State; and in the light of the preamble to the Statute of Westminster we must not presume such application. Furthermore, the statute of the United Kingdom cannot be taken as implementing the Canadian statute, for no request to that effect was made by Canada. Here is, then, a possible conflict of laws, a possible hurt to one of His Majesty's Canadian subjects which should be erased.

The Canadian Criminal Code Amendment Act of 1933 has formally abolished appeals to the Judicial Committee in criminal cases. This action is taken under the authority granted by the Statute of Westminster to repeal or amend any Act of the Parliament of the United Kingdom applying to Canada—in this case the Judicial Committee Acts.† Many difficulties and possibilities emerge from this initiative. The Canadian legislation clearly requires careful interpretation. The abolition of the appeal in strict criminal cases is a simple matter, but the term might be taken to cover penal provincial statutes. We might have conflict between a criminal judgment given by the Supreme Court of Canada, and an opinion from the Judicial Committee on a civil appeal. It is perfectly true that under the Statute of Westminster the Dominion can bar all appeals from federal courts to the Judicial Committee, but it cannot bar appeals from the provincial courts. On the other hand, under the same statute the provinces have the power, specifically requested by them, to abolish appeals to the Judicial Committee from their own courts. Here is a situation of grave importance. The complete abolition of

\* An Act to amend the Naturalisation Act (21 and 22 Geo. V., c. 39).

† 3 and 4 Will. IV., c. 41; 7 and 8 Vict., c. 69.

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appeals to the Judicial Committee, apart from all legal problems, is essentially a matter for wise agreement. For one or two provinces to take independent action would be chaotic ; and we must take care that we do not create a situation such as existed for many years in Australia.

In actual fact, there is little likelihood at the moment of any further legislation in this connection by the Dominion or the provinces. The legal profession still remains conservative. However, the opinion is gathering strength that Canadian law must be finally interpreted in Canada, and we are told less frequently to-day that the jurisdiction of the Judicial Committee is necessary to protect religious, racial and minority rights. Indeed, those most concerned with such rights are gradually finding out that the protection of the Judicial Committee has been a myth skilfully exploited by the politically wise.\* Still more significant are the utterances of important public men. As president of the Canadian Bar Association, Mr. L. S. St. Laurent, a distinguished member of the bar in the province of Quebec, declared :—

There is no doubt a growing feeling in Canada that, at least in ordinary disputes between parties, final decisions should be arrived at in our own courts . . . I have no doubt that some day ordinary clients will be content . . . to accept their fate from our own Canadian courts.†

The statement of the Hon. Ernest Lapointe is even more important, since he is one of the most outstanding Ministers of Justice that Canada has ever had, and since his words are more comprehensive than those of his fellow French-Canadian. Speaking at Montreal, on January 16, 1932, Mr. Lapointe said :—

Je ne puis trouver une seule raison justifiant le Canada d'être le seul pays au monde de son rang, sa population, et son intelligence à confesser son incompétence à décider lui-même ses conflits judiciaires. . . . Notre magistrature et notre barreau n'ont rien à envier à

\* Cf. "The Privy Council and Minority Rights" in *Queen's Quarterly* (1930), pp. 668 *et seq.*

† *Canadian Bar Review* (1931), pp. 335 *et seq.*

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ceux d'aucun autre pays. Les partisans de l'appel au Conseil Privé disent qu'il est un lien entre les Dominions et la Couronne, qu'il procure à tout citoyen britannique le droit d'aller au pied du trône pour avoir justice, et surtout qu'il est une protection pour les minorités. D'abord, il n'est pas vrai que tous les citoyens britanniques vont au pied du trône par l'entremise du Conseil Privé . . . si l'on se rappelle les conflits en Irlande, en Australie et même au Canada, à la suite de certains jugements du Conseil Privé, il est difficile d'y trouver un lien puissant avec la Couronne . . . Quant à la protection des droits minoritaires par le Conseil Privé, c'est une légende . . . je veux attaquer ce fantôme, ce mythe du Conseil Privé protecteur des droits minoritaires à l'encontre de notre Cour Suprême. Et je supplie mes compatriotes de ne pas se prêter aux manœuvres des réactionnaires qui ont combattu chaque développement de l'autonomie canadienne, et qui proclament avec jactance que c'est Québec qui maintiendra le droit d'appel en Angleterre. Nos droits et nos traditions, nous en sommes nous-mêmes la meilleure protection et la sauvegarde la plus sûre. Aucune autorité en dehors du pays ne saurait les protéger efficacement à notre place. Le Canada est maintenant majeur, il peut se passer de tutelle, même judiciaire.\*

These statements are not only important in themselves, but they also serve to gather up a good deal of floating, if less influential, opinion.

### III. FEDERAL AND PROVINCIAL POWERS

IT is natural at this point to turn to the distribution of legislative powers. In this connection there have been few fundamental changes of recent years. The Dominion has, indeed, filled a gap by granting jurisdiction over divorce to the province of Ontario, and thus a flagrant social disability has been removed ; but in the deeper and more essential matters we remain much as we were before. Many have seen in the more recent decisions of the Judicial Committee a swing towards strengthening the federal powers. When, however, the judgment acknowledging

\* *Le Statut de Westminster et l'Évolution nationale du Canada* (Montréal, 1932), pp. 17-19.

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Dominion control over combines\* is carefully read, it will be seen that there is in reality only a legitimate extension of the ambit of criminal law. The importance of this decision lies rather in the fact that the Privy Council went out of their way to correct an impression left by their language in a previous decision,† to the effect that the Dominion could only fall back on its "trade and commerce" power to support a general power which the federal legislature possessed independently. This correction is valuable, as the tendencies shown by the Judicial Committee in the past had run counter to the basic conceptions of the constitution, according to which wide authority over trade and commerce should be exercised in national interests. The decision granting the federal legislature complete control over aviation‡ is doubtless nationally convenient; but not much in the way of fruitful progress can be gleaned from it, as the subject-matter is quite modern. The decision is not without its difficulties; and the same may be said of the decision that brought radio under federal control.§ There are dangers that provincial powers may be subordinated by the side-wind of a treaty; while the mixing-up of legislative powers under Sections 91 and 92 with the treaty power—such as it is—of Section 132 of the British North America Act is contrary to the whole spirit and form of the Act.

Perhaps these cases are important, from our present point of view, in that they disclose a new method of "twisting" the Act, a method which, as a learned jurist has recently said, "may be fraught with more error than the literalistic doctrines of Haldane."|| The decision of the Privy Council under which women were admitted to the Senate is not connected with our present subject,

\* [1931] A.C. 310. (*Proprietary Articles Trade Association v. Attorney-General for Canada.*)

† [1922] A.C. 191. (*In re Board of Commerce Act.*)

‡ [1932] A.C. 54. (*Attorney-General for Canada v. Attorney-General for Ontario.*)

§ [1932] A.C. 304. (*In re Regulation of Radio Communication.*)

|| Cf. *Canadian Bar Review* (1933), pp. 581 *et seq.*; 664 *et seq.*

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though the fact may be noted that women can now enjoy that honour.\* The judgment, however, raised certain points which are, perhaps, the most important innovations since our last survey. In the first place, Lord Sankey, L.C., laid it down that it was not necessary to-day to apply to Canada decisions and reasonings that had commended themselves to those who had to apply the law in different centuries to countries in different stages of development; that the British North America Act planted in Canada a living tree capable of growth and expansion within its natural limits; that the provisions of the Act should not be cut down by a narrow and technical construction, but should be given a large and liberal interpretation. All this is excellent doctrine, completely different from that enunciated by the Privy Council for generations in interpreting the British North America Act. Unfortunately, his Lordship robbed it of any healing virtues, of the power to become a new road of constitutional salvation, by adding that it had no application to the distribution of legislative powers. Elasticity and strictness go ill together in interpreting the Act. We can only hope that a step forward has been made, although the path is thick with judicial fog. To Lord Sankey we are also indebted for a new process of interpretation in the aviation case already referred to. The strict rules of statutory interpretation disappeared when his Lordship quoted almost word for word from Lord Carnarvon's speech on the second reading of the British North America Act on February 19, 1867.† The strict rules disappear, because neither punctuation nor reference reveals the sense of the quotation. For a nation whose constitution has been divorced by judicial decisions from its origins and historical intentions, it is, perhaps, pardonable to clutch, respectfully but not without hope, at any straws thrown to us in the whirlpool of judicial chaos.

\* *Edward v. Attorney-General of Canada*, [1930], A.C. 136.

† [1932], A.C. 54 (*per* Sankey L.C. at p. 70); cf. Hardinge, *The Fourth Earl of Carnarvon* (Oxford, 1925), vol. 1, pp. 305 *et seq.*

## The Grant of Honours

### IV. THE GRANT OF HONOURS

IN connection with legislative power an interesting question has recently arisen. As is well known, the names of Canadian citizens appeared for the first time for many years in the honours lists of 1934. Their absence had been due to the fact that in 1919 the Canadian Parliament passed a resolution praying, *inter alia*, that the King might be pleased to refrain from conferring any title of honour or titular distinction on Canadian citizens. The interesting question now is : can Canada by any legal means control the granting of titles ? The prerogative of honours has never passed to the Governor-General, and in the United Kingdom it is uncontrolled by statute. Even were it so controlled, the statute would not apply to Canada except on Canadian request. The law and custom in connection with titles in Canada rest on the following procedure. The Canadian Cabinet recommends, nor are any honours conferred on Canadians without such recommendation. In other words, a convention of the constitution prevails ; but the legal responsibility lies with the Government of the United Kingdom. The reason behind this seems to be that nearly all titles of honour have validity throughout the King's dominions, although it is interesting to note that apparently Knights of St. Patrick and of the Thistle have no rank in England. The Governor-General could be given the power by the Crown, or by the Canadian legislature, to confer local titles of honour (a power which belonged to the Lord Lieutenant of Ireland), and indeed Quebec rejoices in an Order of Agriculture, with commanders, officers and knights, created under Quebec statute. Such honours have or would have no validity outside the legislative jurisdiction concerned. No legal power exists in Canada to control by legislative action the prerogative of honours in the imperial sense.

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Action of a legal nature is not, however, impossible. Those titled persons who are not Canadian citizens, and who have therefore no legal right to "land" in Canada, could be legally included by Canada among the "prohibited classes" in the Immigration Act. In the present state of public opinion such drastic legislation might not be forthcoming, but at any rate it could form a reasonable ground for discussion. In addition, Canada might legally prohibit the sending of recommended names to England through the Canadian Cabinet. Such statutory action would govern the Cabinet as long as the statute remained in force; but of course it would have no legal control over the prerogative, and legally the King could still confer honours on Canadian citizens. It has been suggested, with the support of Professor Keith,\* that Canada could prohibit the use of titles in Canada, while it could not legally control the conferring of them.

This suggestion is doubtless correct, but it raises some difficult problems. Are titles of honour "property" or "civil rights"? Beyond controversy, a peerage is "property," and so it would seem is a baronetcy,† while a knighthood or a minor honour is clearly a "civil right." If this argument is correct, it appears that the control of the use of titles in Canada would lie with the provinces under their exclusive legislative authority over "property and civil rights." We could thus arrive at the strange position that a Canadian citizen might be "Lord" or "Sir" in one province and "Esquire" or plain "Mr." in another. On the other hand, it might be possible for the federal legislature to control the use of titles under its "peace, order and good government" power; to borrow Lord Haldane's words, the federal legislature can pass legislation in a legislative field of exclusive provincial competency in times of "some extraordinary peril to the national life of Canada . . . a menace to the national life

\* *Constitutional Law of the British Dominions* (London, 1933), p. 38.

† *In re Rivett-Carnac's Will*, (1855) 30 Ch.D. 136.

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of Canada . . . an epidemic of pestilence."\* Action along these lines might also form a proper basis for discussion, and if the legality of such legislation were argued before the Judicial Committee, the possibilities of national self-revelation are almost infinite in their humorous variety. At any rate, the British North America Act seems to create difficulties at every turn, though we may learn, indeed, that the theory, too often lightly accepted in Canada, that honours emanate directly and personally from the King (except in the case of the Royal Victorian Order) is an idle and farcical perversion of facts.

### V. LAW VERSUS ECONOMICS

THE truth is that we have outgrown the British North America Act. The Dominion of Canada is attempting to-day to carry on the highly complex life of a modern industrial state under a constitution drawn up for a primitive community, scarcely emerging from pioneer agricultural conditions. In the United States the constitution has been developed by the courts, from the time of Marshall, C.J., as a more or less living, growing scheme of government, and judicial decisions have made flexible an eighteenth century document singularly rigid in form. With us, on the other hand, the provinces have grown in power in despite of the deliberate intentions of the "fathers" of federation. Strict statutory interpretation has virtually made them the controllers of the residuum of legislative powers.

Worse still, under cover of all this has been preserved the legal, political and economic philosophy of *laissez-faire* utilitarianism—free enterprise, as little control over business as possible, individual competition and initiative; with concessions of social legislation here and there in

\* *Toronto Hydro-Electric v. Snider*, 1925 A.C. 396 (*per* Lord Haldane at pp. 409-410).

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the name of efficient "individualistic" nationalism. Life remained reasonably secure, and no great and violent crises provoked a united national challenge. But dangers accumulated as the augmentations of provincial power over "property and civil rights," procured by judicial decisions, thwarted legislation of growing national necessity. Nine provinces, individually and separately, were attempting to deal with the complexities of the twentieth century, while the Dominion was driven from field after field that the "fathers" had intended it to occupy. Upheld with an almost suicidal tenacity, provincial "rights" have become national wrongs. In addition, there has existed an almost childlike mentality, which the outsider is liable to miss. The British North America Act has been erected into a kind of ark of the covenant, to which has been given something akin to primitive ancestor worship. It is true that men of insight and wisdom saw dangers ahead and called for timely changes; but legal insight and political wisdom, in a small community like ours, are too often forced to retire before a public that denounces any criticism of the British North America Act as "disloyalty." On platform after platform, those who scented legal and economic dangers, who ventured to suggest that they heard cracks and strains in the legal underpinnings of our national life, were called "socialists," "communists," "bolsheviks," "traitors to King and British institutions and to their fatherland." Now the day of reckoning is at hand.

Before the economic depression the federal legislature, with the "generous" permission of the provinces, had already undertaken to assist in providing old-age pensions—a subject-matter purely and solely provincial. "What is the constitution among generous friends?" The example and procedure were perhaps unfortunate; perhaps, as the issue may show, they were creative. Then came the crash. Unemployment, a purely provincial subject-matter, increased by leaps and bounds. To it were added the complex problems of industrial life in a manner never before experi-

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enced—fair competition, hours of labour, rates of wages, minimum wages for men, marketing organisation, the financial structure of companies, mass-production—provincial subject-matters transformed into the very bones of national survival before the compelling forces of a world agony. Once again the Dominion stepped outside its legislative ambit and voted millions for unemployment. Nor was this the end. As province after province turned to it for assistance, the Dominion came forward with vast funds to prevent a financial crash. The Prime Minister of Canada, however, began to scent danger in the transfer of federal moneys to provincial control. A Dominion-provincial conference suggested constitutional changes. The provinces, however, stood firm on their "rights," while they almost demanded the continuance of federal aid.

The Dominion might have hammered out some sort of agreement, the better to guard the federal tax-payer in face of the insistent demands of provincial necessity. Before such an opportunity came, however, more powerful events suddenly changed the issues. On the public platform, before Parliament assembled, Mr. H. H. Stevens, federal Minister of Trade and Commerce, criticised in emphatic and unequivocal terms the whole economic structure of the nation, as shot through with greed, exploitation, and positive social corruption. He promised action. When Parliament assembled, a committee of the House of Commons was set up, presided over by Mr. Stevens; and for weeks the newspapers have been "featuring" the evidence given, much of which seems to reveal labour conditions that all good citizens may well deplore. We are not here concerned with the immediate problems and we express no opinions on them. There is, however, a wider issue.

While many of the matters with which the Stevens Committee is dealing are under provincial legislative control, it is likely that the federal legislature will deal with them under "the peace, order and good government" clause—

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effective, as the Judicial Committee has laid down, in a national crisis.\* Such legislation, however, can obviously only be a makeshift, for emergency treatment cannot cure ills deep and fundamental in the constitutional law of the country. Nevertheless, the situation contains some hopeful aspects. The Prime Minister of Ontario has declared that the time may now be ripe for considering the question of constitutional revision. Sir Henry Drayton, one of the most distinguished of our public men and a former member of the federal Cabinet, has come out in strong support. Even more important are events in Parliament. The Right Hon. Arthur Meighen, Government leader in the Senate, has declared that if the British North America Act is not soon constructively changed there may be little left worth worrying about. The Prime Minister of Canada has placed himself on record in the House of Commons to the effect that the constitution must be changed. He pointed out that, under the Statute of Westminster, changes can be made after resolutions of both Houses, but he was equally clear that political difficulties must be boldly faced.

The issues are now clear-cut—are we to allow one or two provinces to control our national destiny? Changes are not merely demanded by events, they are overdue. It seems probable that the Government will go to the country with constitutional questions to the fore. Whatever an election may disclose, this at least may be said, that at long last it will no longer be possible to look on the British North America Act as a sacred and inviolable instrument. The persistent forces of national affairs—the pressure of the last four years of depression, with its poverty, unemployment, increasing failures, contracting trade, lower wages, miserable market prices, narrowed credit, depreciating currency, ever-increasing debts, notwithstanding the substantial measure of recovery already achieved—have all combined to rob “1867” of romantic glamour.

\* *Toronto Electric Commissioners v. Snider* [1925], A.C. 396.

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We do not dispute the magnificent creative faith of that year, any more than we dispute the creative work of Noah ; but we see it, after many days of blind worship, in its just and proper setting. The outspoken words, fortified by the economic situation, have called us to our senses. To those outside Canada, the situation may appear strange and complicated ; to Canadians themselves it is no less complex, and, above all, unexpected in the strong changes in public opinion that it evinces. We have now a clear choice to make : shall we continue as a loose league of "sovereign" provinces, into which the unfortunate judgments of the Privy Council had practically transformed us, surviving legally in order to break culturally and economically ? Or shall we boldly recognise that a nation of vast potential wealth and of remarkable human achievements must not be sacrificed at a constitutional altar erected in a far-off pioneer past, and itself long since robbed of creative vitality by the barren processes of judicial obscurantism ?

Canada.

July, 1934.

## CIVITAS DEI

THE object and scope of Mr. Lionel Curtis's book\* are no less ambitious than its title. The title is borrowed from that of *De Civitate Dei*, St. Augustine's monumental work, which it is part of the purpose of this volume to criticise. The object, though Mr. Curtis himself describes it as that of discovering a guiding principle in politics, is really no less than that of defining the *summum bonum*, the end and purpose of human existence, and of stating the process by which it may be achieved. The whole history of Christian civilisation falls within its scope. Dealing with this vast subject within the compass of a single volume of less than 300 octavo pages, the fruit of wide reading and intense devotion to his subject, Mr. Curtis has given to his readers a work of arresting interest. However widely many may differ from its arguments or its conclusions, to whatever criticism it may be exposed on the ground of over-simplification or excessive dogmatism, the book is marked throughout by a vivid eloquence, a ringing sincerity and an impeccable courage.

The key to his problem Mr. Curtis finds in the spirit—to some extent, however faintly, immanent and incarnate in men—that prompts them to serve each other and not themselves. This is that spirit which in its fullness is God. It is, to the author, the supreme personality, the ultimate reality; and all human institutions are to be judged according as they do or do not tend to develop this spirit among men and to perfect it by the only possible method, that of day to day exercise in the practical affairs of life. In the sphere of politics then, though Mr. Curtis

\* *Civitas Dei*, by Lionel Curtis (London, Macmillan).

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will not admit any distinction between that sphere and that of life itself, Mr. Curtis stands with Aristotle: the State is *γενομένη μὲν τοῦ ζῆν ἑρεκα, οὐδετὰ δὲ τοῦ εἰς ζῆν*.\* But by reason of the teachings of Christ and of the history of the world since the days of the Greek philosopher Mr. Curtis's conception of what *τὸ εἰς ζῆν* means is very different from, and much wider than, Aristotle's.

In his sketch of world history Mr. Curtis finds throughout the ages a conflict between two opposing principles: the "principle of authority," absolute, theocratic, supposedly divine in origin and backed by supernatural sanctions; and the "principle of the commonwealth," which may shortly be described as that of self-government resting on the virtue, common sense and practical experience of ordinary men. To a great extent this is the conflict between East and West. To Mr. Curtis it is almost indistinguishable from the conflict between evil and good, darkness and light, illusion and reality; and is only not eternal because of his lively faith that in the course of the life of the world the "principle of the commonwealth" must in the end prevail.

The germ of this "principle of the commonwealth," in its political self-expression, Mr. Curtis finds in the Greek city states of classical times, or at least in the more democratic of them, where men had so far learnt to prefer the public welfare to their own selfish individual interests that it was possible to carry on government through the machinery of public assemblies in which minorities were content to accept and to be bound by majority decisions. The struggles of Hellas with the Persian Empire of the fifth century B.C. afford the first illustration that Mr. Curtis gives of the perennial conflict between his two contending principles. Hellas prevails; and though she herself, as is shown by the story of Athens, too often fails to be true to her own principle (largely because she has not

\* For as the State was formed to make life possible, so it exists to make life good. Aristotle, *Politics*, Ch. II, translated by J. E. C. Welldon.

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hit upon the device of assembling representatives with power to bind their constituents, which might have enabled her to apply that principle to a community too large and scattered to be gathered together in a single market place), her political message to the world is never wholly lost.

Rome, in origin resembling a Greek city state, confers upon all the peoples of the Mediterranean seaboard the blessings of order, unity and law, but fails, as Hellas failed, to apply in a wider sphere the principle on which she governed herself as a simple primitive republic ; and becomes Imperial Rome, the parent of the Byzantine Empire, under Caesars or Emperors adorned with the trappings and armed with the powers of a pretended divinity.

Next comes the history of Judaism and the tremendous story of the impact upon the world of the personality of Jesus of Nazareth. As Mr. Curtis's treatment of this theme, which occupies about a third of his short volume, is certainly the most original, so it is likely to be the most interesting part of it to the majority of his readers. To the Jews is attributed the conception of monotheism, which "raised their minds from superstitions which divide the world to spiritual truths which bind it together," and which "arises from an effort, whether conscious or otherwise, to explain by hypothesis a psychological fact—the sense men have of a difference between right and wrong. . . . Righteousness was conceived as the will of God." But this God was originally, in their minds, a tribal deity among others, and jealous of the others. The heathen are to be rooted out ; and only very gradually does the idea of Jehovah as the one God of Israel give place to the idea of him as the one God of the universe. Even so, there is a fundamental distinction, on which Mr. Curtis in a deeply interesting passage lays great stress, between the vision of Ezekiel of the Kingdom of God as an exclusive kingdom confined to the Hebrews, and that of Jeremiah as a kingdom to which the Gentiles will be admitted if they repent.

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Jeremiah's "idea led on to Christianity. The soul of Ezekiel issued in Judaism." In either case the kingdom was as yet conceived of as a kingdom on earth : the primitive eschatology of the Jews, some centuries before the book of Job was written, could admit of no other idea.

While historic Judaism lasted, with its centre at the temple in Jerusalem, it was the view of Ezekiel that prevailed ; and, highly spiritualised as was its underlying religious idea as compared with surrounding paganism, the political organisation of post-exilic Judaism was that of a typical oriental theocracy, where a close oligarchy of priests bore absolute rule over their people, and enforced upon them an elaborate code of ritual rules, supposedly based on a law divinely communicated to Moses, affecting every detail of their ordinary lives. As in all theocracies, this priesthood was armed with supernatural terrors ; and as, through an infection of paganism, the deity whose will it claimed to interpret was one who must be placated by blood-sacrifices and costly offerings from the pious Hebrews who came on pilgrimage to Jerusalem from all parts of the world, the priests themselves, along with their power, derived no little material wealth from the process. This conservative oligarchy, true to type, "closed the canon," refused any addition to the recognised scriptures, the interpretation of which was their own monopoly, and were prone to treat all reforming "prophets" as pestilent agitators and disturbers of the peace. Not in this Jerusalem, which stoned the prophets, was the "principle of the commonwealth" to be found. Its rulers were not likely to welcome any political change in a system that suited them so admirably ; and when the Roman Empire had been extended over the whole basin of the Mediterranean they were quite content that the system should be carried on under the protecting ægis of the Cæsars.

Space will not allow of more than the briefest mention of Mr. Curtis's account of the origin of the Pharisees, of the Maccabees, or of the tragic history of the various sects of

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the Zealots, who in their ardour to re-establish the kingdom of the house of David on earth strove with the hierarchy, with Rome, and not less ferociously with each other, till Jerusalem with its temple falls in a final welter of blood and flame before the arms of Titus. It must suffice to say that to many this will prove not the least arresting part of the book ; for (let us admit it frankly) the number is but small of those even among the well-educated who, like Mr. Curtis, have studied the works of Josephus.

It is time to turn to the central theme of all, the mission of Jesus of Nazareth. Here it is that Mr. Curtis's work is most likely to come as a shock to many devout minds : here it is that the author's courage of his convictions is most finely shown. We have seen that, to Mr. Curtis, claims to supernatural origin are the usual justification, supernatural sanctions the most potent weapon, of the "principle of authority," which he regards as the power of darkness. With him it is a settled conviction that the course of nature, the orderly sequence of cause and effect presupposed in all rational human thought, is never interfered with by divine command ; and that a belief in "miracles" is merely the product of minds too simple or too enslaved *\*rerum cognoscere causas.* Jesus of Nazareth, then, was a man, begotten and born as other men are, with a mortal body and an immortal soul like theirs, but with a grasp of reality, a dæmonic force of leadership, and a zeal for the development of the human virtue of serving others and for its growth through practical exercise—in his phrase, for the "kingdom of God" which is "within you" and is also "amongst you"—such as has been accorded to no other man before or since. If this be to deny the divinity of Christ, Mr. Curtis might reply that it is to assert the divinity of man, and to claim that every man to the extent that he has virtue in him is to that extent divine, and that Jesus differed from his fellows in the fullness of his virtue and therefore in the fullness of his divinity.

\* To discover the causes of things. (*Virgil.*)

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Mr. Curtis holds that everything miraculous in the ordinary sense of the word that has been attributed to the life, death and resurrection of Jesus is the fruit, not indeed of pious fraud, but of legend, originating in the belief, ingrained by habit and tradition in the minds of his contemporaries and followers, that what is divine must be attested by what is miraculous ; a belief so strong as to lead them not only to ascribe to direct supernatural intervention phenomena for which they could not account otherwise, but even to convince themselves that they had actually seen interferences with the ordinary course of nature which had not, in fact, occurred. Mr. Curtis thinks indeed that Jesus himself, conscious of his own extraordinary mental and spiritual power, was sufficiently under the influence of the prevailing tradition of his age and race to believe that it was in his power to work miracles ; but Mr. Curtis is insistent that, true to his mission, which was to dethrone autocracy and to enthrone the virtue existing in the hearts of men, Jesus deliberately abjured the use of autocracy's secular weapon ; and that this is the whole meaning of the story of the temptation in the wilderness.

We cannot in these pages debate the vast problem here involved, but one criticism of Mr. Curtis's handling of it must be offered. He relies heavily on those texts of scripture which support his thesis, but neglects or dismisses as unworthy of credence those which do not. He quotes, for instance, with complete conviction of its authenticity, the story of the Pharisees and Sadducees asking Jesus for a sign from heaven and receiving the answer :—

An evil and adulterous generation seeketh after a sign ; and there shall no sign be given unto it, but the sign of Jonah,  
and explains the answer as meaning that "as Jonah preached repentance to the Gentiles with success, so a time will come when the Gentiles will hear and accept the Gospel, while Israel will reject it." The explanation is borrowed

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from *A New Commentary on Holy Scripture*, a work of generally admitted orthodoxy, edited by Bishop Gore and others, and is based on the passage which follows next but one after the words quoted ; but that which immediately follows them reads :—

For as Jonah was three days and three nights in the belly of the whale : so shall the Son of Man be three days and three nights in the heart of the earth.

This, which Mr. Curtis does not quote, is an unmistakable reference to the supernatural, and there is no less textual authority for it than for the words before and after it. Similarly the text about the power to bind and to loose, on which the Church has laid so much stress, is described as “a few words attributed to Jesus by one of his biographers” and dismissed, in effect, as something which he cannot have said, or cannot have intended in the meaning that has been attributed to it. An historian cannot treat his classical authorities in this way. If he does, he is in reality claiming himself to be the judge of what they ought to have said, and therefore did say, and thus to be entitled to rewrite them. But Mr. Curtis is possessed by a faith which can remove not only mountains, but the canons of historical criticism.

From the philosophical standpoint that he has adopted, Mr. Curtis proceeds to a vivid but reverent account of Jesus's final struggle with the corrupt hierarchy of Jerusalem, of the fear inspired in them by his influence over the multitude which he led, and of the Passion, the judicial murder of the last and greatest of the prophets. To Mr. Curtis the struggle is the supreme illustration of the conflict between his two contending principles. To him, religion is not an affair of the relation of the individual soul to God, in the sense that there is any distinction between a man's duty to God and his duty to his neighbour, between religion and politics. “To engender in men a desire to serve each other is the end and object of human existence.” The desire of service grows only by

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exercise of the power to serve, and the power to serve must be continuously increased as men can bear it. Thus the world's greatest religious teacher was *ipso facto* its greatest political philosopher.

To his mind religion and politics were merely two aspects of life, a sphere viewed from two different angles. He believed that men could grow to perfection in so far as they based their relations on the infinite duty of each to all. This supreme conception could only be realised by gradual developments such as we, in our language, would describe as political.

The spread throughout the Roman Empire after the fall of Jerusalem of a Christianity still profoundly influenced by Jewish and Imperial ideas of theocratic authority still leaves us in a world in which government is not based on the original teachings of Jesus. Though the spirit of the Greek city state may survive in scattered municipalities, the Roman and Byzantine Empires proceed upon the principle of autocracy; the Church itself under the Papacy and the Holy Roman Empire alike adopt it.

Only as feudalism decays and the English constitution begins to shape itself, with a parliament of representatives of the people having power to bind their constituents, which ultimately becomes the repository of sovereignty, does Mr. Curtis find the "principle of the commonwealth" emerging into the high places of government. He justifies his brief sketch of British constitutional history—which, as he says himself, "is or should be familiar to every child who has passed through a high school"—on the ground that he sees

in these threadbare and commonplace details the first beginnings in the Christian era of the process whereby that creative and potent idea, the Kingdom of God, as viewed and expounded by Jesus of Nazareth, is destined to be realised.

This may seem, especially in these days when Europe is strewn with the wrecks of parliaments, an overweening claim to make for the political system which the people of our race have evolved to suit themselves, and which has

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been copied, not always with success, by others. To represent it as the final synthesis in the political sphere of all that is best in Greek, Jewish and Roman thought, as the embodiment of the ideals of freedom, virtue and law, is to rate it high indeed. But Mr. Curtis's contention may be conceded that it is the only system we know which, while providing for real government and sovereignty (the idea of which is by no means to be confused with that of autocracy) lays the burden of responsibility on the shoulders of the maximum number of people whose sense of public duty qualifies them to bear it, and provides for the quickening of that sense of duty through the constant exercise of it.

Nor will Mr. Curtis admit that in the course of the millions of years to which our world has still to look forward the other races of men will be found incapable of the adoption in the fullest possible sense of the principle that he extols. His imagination reaches forward to the realisation of Tennyson's dream of "the Parliament of man, the Federation of the world." He does not believe that the still small voice which was first overheard in the cities of Greece and was raised to the sound of a trumpet in England will be silenced till all men have heard it and learned to obey one paramount law, based on the mind and conscience of all.

To people of our race it may well be a sobering thought that, even in a vision, it should have been reserved for them to be the pioneers of a mission so august.

We understand that *Civitas Dei* is intended to be merely the first volume of a larger work dealing with the British Commonwealth and its place in the world, and that the author designs in a further volume to treat of the imperial problem in the light of the criteria of political action which he has sought to establish in *Civitas Dei*. The merits of this book prompt the earnest hope that he may be able to fulfil his purpose.

## IRISH FREE STATE: MR. DE VALERA'S PROGRESS

### I. THE SENATE DEFENDS ITSELF

MR. DE VALERA has now painfully learned that, like the famous animal in the Zoo, the Senate is very naughty. When attacked it defends itself. The Bill for its abolition passed the Dail on April 20 by 70 votes to 51, and on May 30 the debate on the second reading began in the Senate itself. After Mr. de Valera had delivered a short, and almost contemptuous, introductory speech, the Chairman, Mr. Westropp Bennett, a County Limerick farmer, announced that, following a precedent set up by his predecessor, Lord Glenavy, during a debate on relations with Northern Ireland ten years ago, he proposed to leave the chair in order to speak from the floor of the House. He then proceeded to deliver a remarkable reply to the attacks of the Government on the Senate. Statesmanlike in tone, clear and cogent in argument, and devastating in its exposure of ignorance and misrepresentation, this speech in itself went far to justify the existence of the Senate. It was certainly one of the finest speeches so far delivered in the Free State Parliament. Mr. Bennett began by exposing the various misrepresentations of Mr. de Valera and his colleagues, proving that in many cases they had stated the exact opposite of the facts. He then analysed the actions of the Senate during Mr. de Valera's first Administration, and showed that, apart from the Bill for the removal of the oath of allegiance, the Senate had received during that time 22 non-money

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Government Bills, many of them highly contentious, sixteen of which it passed without amendment, and that the amendments made in the remaining six were nearly all agreed to by the Dail. Mr. de Valera's statement, made before the election of January 1933, that a hostile Senate was constantly attempting to harass the Government by mutilating its measures or wilfully delaying them, was therefore, he pointed out, completely untrue. He added that there was too much talk about liberty in this country and too little attention paid to the things that ensure it. It was the truth that made men free, and the opposite that bound them. There could be no liberty without liberty of the mind, and no liberty of the mind without truth.

Mr. Bennett then proceeded to expose Mr. de Valera's fallacies in the domain of history and political science, more particularly in his statements concerning the experience of France and the United States, pointing out that in both countries a second chamber was found essential, and that no country of any importance under full constitutional government to-day has a single chamber system. He asserted that Mr. de Valera's policy of establishing a single chamber government would lead here, as elsewhere, to a dictatorship of the Left, and that the country, reduced to penury by the Government's economic policy, would eventually sweep them aside and replace them by extremer men. Then, passing from theory to practical politics, he compared the work done by our Senate with that done by the Senates of Canada and South Africa, and proved that the Free State Senate, during the last ten years, has done, roughly, three times the amount of work done by the first, and more than ten times the amount of work done by the second. The work of revision done during that period in the Free State Senate, by way of accepted amendments that definitely improved legislation, far exceeded that done by any other second chamber in the British Commonwealth. In the same time they had rejected only three

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Bills, while the Canadian and South African Senates had rejected thirty-three and thirteen respectively. He contrasted with the attitude of Mr. de Valera that of General Herzog, who for six years voluntarily left in existence a hostile Senate, which had rejected three major Government Bills.

Relying to the charge that the Senate had been partial towards Mr. Cosgrave's Administration, he proved that the proportions of amendments made by the Senate in the measures of both Governments were similar, but that the work of revision under Mr. de Valera's Administration had been somewhat heavier. As regards the power of delay, they had held up one Bill and rejected another during the Cosgrave régime, but out of 109 Bills presented by the frankly revolutionary de Valera Government they had only rejected four. Mr. Cosgrave's Public Safety Bill, which they passed, was rendered necessary by a crescendo of murder and outrage; Mr. de Valera's Blue Shirt Bill, which they rejected, was directed against an organisation guiltless of disorder.

But the most important and most sensational passage in his speech was his claim that the Bill for the abolition of the Senate was both inaccurate and unconstitutional: inaccurate inasmuch as several references to the Senate had not been eliminated from the constitution, and unconstitutional because the constitutional amendment, made in 1929, whereby the period for amending the constitution by ordinary legislation was extended from eight to sixteen years, was invalid, and because the abolition of the Senate was not an amendment of the constitution within the meaning of its terms. The object of Mr. de Valera's campaign, bolstered up by calumny and false representation of history, was, he said, to establish a dictatorship of the most obnoxious kind, masquerading in the guise of parliamentary government. He then made a deadly parallel between the actions of Mr. de Valera in office and those of Mr. Lang of New South Wales, who

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abolished the Legislative Council of that State, and defaulted on the payment of interest to British bondholders ; and he pointed out that after careful study and inquiry the present New South Wales Government had set up a new second chamber on the model of the Free State Senate. Closing this powerful speech, he referred to the unfair attacks on the Independent members of the Senate, who are largely Protestants and ex-Unionists, and who had given their best to the service of the new régime. They were attacked, he said, by neo-Nationalists, who paid lip service to Tone and Davis, but violated every principle these men ever enunciated. Finally, he quoted an impressive and apposite passage from Demosthenes to the effect that it was impossible for one who commits injustice, breaks oaths and indulges in falsehood to acquire lasting power. In the affairs of the State the principles and the foundations must be truth and justice.\*

Mr. de Valera, who had listened to this formidable indictment with ill-concealed rage, left the House upon its conclusion, and did not return till the last day of the debate, when he delivered a long and rambling speech, which was largely a repetition of his previous speeches in the Dail, and did not seriously attempt to answer the Chairman's speech. Historical examples were, he suggested, useless, because they proved one thing only. He repeated that he had a hankering after some kind of second chamber for purposes of revision, but contended that neither history nor reason nor practical experience had proved the case for a second chamber in general.

Other notable speeches during the debate were made by Senator Douglas and Senator O'Hanlon. Senator Douglas proved that Mr. de Valera had used the criticisms of the French Senate made by Professor Barthélémy, but had suppressed his conclusion, namely, that "the existence of a second chamber is the fundamental institution of all

\* This great speech has now been published in pamphlet form with full references.

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organised democracy." Senator O'Hanlon showed that John Adams, whom Mr. de Valera had cited as one of the American advocates of a single chamber, had said that he could not think that a people could be long free, or ever happy, whose government was in one assembly. Senator Sir John Keane, during the debate, referred to the action of the Senate in 1928 and 1929, when they acquiesced in the removal of the referendum and initiative and the extension of the period for amending the constitution, whereby he held that they had lost their effective control and opened the door to further inroads on the constitution. Senator Douglas has now introduced in the Senate a Bill to revive the referendum on constitutional amendments and it will be interesting to see the reactions of Mr. de Valera to this democratic project.

During the Dail debates on the Bill for the abolition of the Senate two amendments were made by the Government to meet the criticisms of the Opposition. These make it impossible to remove the auditor-general or the judges without a Dail majority of four-sevenths, but, as Senator Browne pointed out in the Senate debate, this protection can be easily removed by legislation once the Senate ceases to exist. On June 1 the Senate finally rejected the Bill by 33 votes to 15. The position now is that the Bill is suspended for eighteen months, unless a general election, in which the Government is successful, intervenes, when it would become law.

The relations existing between the Government and the Senate were further illustrated by the recent inquiry of the Senate Committee on Procedure and Privileges into the action of the Minister for Defence, Mr. Aiken, in prohibiting two duly authorised visitors who were wearing the blue-shirt uniform of the League of Youth from entering the Senate chamber on February 21. The Committee found that the Minister and the Clerk of the Dail, who had supported his action, were guilty of a breach of privilege, and that the Minister, in spite of his public

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statement to the contrary, knew when he issued his prohibition that the Chairman of the Senate had authorised the admission of these visitors. The Senate also limited the time for the operation of the annual Army Act, as a protest against the Government's appointment of unqualified ex-I.R.A. men to take command of the new volunteer force. Incidents such as these, and the acrimony of the Dail debates, reveal the personal bitterness and hatred of our leading politicians, the unfortunate heritage of the civil war, which, apparently, nothing but time will efface. Cardinal MacRory, the Catholic Primate, has recently appealed for a spirit of charity in public affairs, but so long as support of personalities rather than principles dominates our popular political outlook there is little hope of much change.

### II. GRAVE CONSTITUTIONAL ISSUES

THE grave questions raised in the speech of the Chairman of the Senate concerning the validity of recent alterations in the constitution have now been brought before the Courts in a case in which Mr. Jeremiah Ryan, a farmer and retired military officer from County Tipperary, and four other members of the Blue Shirt organisation seek an absolute prohibition against their trial by the military tribunal on various charges, including conspiracy to shoot with intent to murder, unlawful assembly, and the possession of fire-arms. They contend that the Constitution (Amendment No. 17) Act of 1931, under which the military tribunal was set up, is unconstitutional, and that therefore the tribunal has no lawful existence, jurisdiction or validity.

In order to understand the basis of this contention it is necessary to examine briefly the constitutional position in the Irish Free State. It is quite different from that in Great Britain. In Great Britain, the sovereignty of Parliament is absolute. It has an acknowledged right to

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modify the constitution, and is both a legislative and a constituent assembly. The Free State Parliament, on the contrary, is not a sovereign legislature, because its powers are limited by the terms of the constitution and by judicial decision. The Free State has a rigid written constitution, under which constitutional or fundamental laws are distinguished from ordinary laws, and cannot be changed in the same manner. Moreover, the constitution provides that—

All powers of government, and all authority legislative, executive, and judicial in Ireland, are derived from the people of Ireland and the same shall be exercised in the Irish Free State through the organisations established by or under, and in accord with, this Constitution.\*

The constitution also contained a provision† that amendments of the constitution within the terms of the Treaty could be made by ordinary legislation, by the Oireachtas or Parliament, for eight years after it came into operation, but that after that period had expired any amendment should, after its passage through Parliament, be submitted to a referendum and approved by a majority of the voters on the register, or two-thirds of the votes recorded, before it became law. Moreover, even during the first eight years, any such amendment should be submitted to a referendum if that course was demanded by three-fifths of the Senate, or one-twentieth of the voters on the register.‡ The constitution was the subject of considerable amendment during the first eight years, but most of these amendments only embodied a number of technical changes suggested by the practical experience of its working. A more comprehensive revision was initiated by the tenth Amendment Act, passed in 1928, which abolished the referendum and the initiative at the instance of the Cosgrave Government, in order to forestall an attempt of the Fianna Fail party to use the initiative for the introduction of legislation to abolish the parliamentary oath of allegiance.§ Finally,

\* Article 2.

† Article 50.

‡ Article 47.

§ See THE ROUND TABLE, No. 72, September, 1928, pp. 816 *et seq.*

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the period during which constitutional amendments might be enacted by Parliament without a referendum was, in 1929, extended to sixteen years.\*

It is now contended that this last amendment was *ultra vires*, inasmuch as an ordinary Parliament, which was not a constituent assembly but merely the agent or delegate of the people, could not by its own act extend the scope of its own power or authority. It is argued that the provisions of Article 50, enabling amendments of the constitution to be made by ordinary legislation during the first eight years, were designed only to enable technical improvements of detail to be effected, but not to offer scope for such comprehensive constitutional changes, which undermined or repealed principles in the constitution, as have in fact been enacted. In other words, the constitutional power of amendment could not be used constitutionally to do away with the constitution. If amendments were to be made in fundamental articles, this, it is contended, could only be done by a fresh constituent assembly, or by extra-legal methods. It will be seen that this argument raises a much debated problem of modern constitutional theory, whether it is within the competence of the agencies invested with the power of constitutional amendment to revise drastically the structural organisation of the State.

In the Irish Free State, where both the contingency and the risk of change are greater than in more conservative communities, this problem is now of considerable importance. Obviously, if the Courts were to decide that the Act extending the time for amending the constitution by ordinary legislation was unconstitutional, the results would be extremely serious and far-reaching. In the first place, the Act establishing the military tribunal, which was passed in 1931, and all the Acts since passed by Mr. de Valera's Government for the amendment of the constitution, including those for the abolition of the parliamentary oath

\* Constitution (Amendment No. 16) Act, 1929.

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of allegiance and the right of appeal to the Privy Council, would be clearly illegal. It would, of course, follow from this that any executive actions arising out of these Acts, such as the sentences imposed by the military tribunal under both the Cosgrave and de Valera régimes, would be equally *ultra vires*. Moreover, the proposed abolition of the Senate would be clearly impossible by ordinary legislation. Modern experience has shown the vital need for an authoritative agency invested with the constitutional power to protect the fundamental safeguards of liberty, not only against encroachments by the executive, but also against ill-digested and panic measures of the legislature. Such power is given to our judiciary,\* and, although they have not much experience in dealing with such momentous issues, they lack neither the courage nor the ability to do so. The Attorney-General, on behalf of the State, of course argued that the power of amending the constitution during the first eight years of its existence covered the alteration, repeal, or deletion of any article, and that Parliament during those eight years was, and owing to the extension of the period for amendment by ordinary legislation still is, in effect, a constituent assembly.

The High Court have now decided unanimously, following a decision of the Privy Council†, that the constitution should be liberally interpreted in accordance with its own terms, and that the power to amend by ordinary legislation during the first eight years gave a power of alteration in the widest sense of the word, including, in default of express exception to the contrary, the power to extend the time for amending the constitution by ordinary legislation. They therefore held that the Act of 1929, extending the time for amending the constitution by ordinary legislation to sixteen years, was valid, and therefore the Act establishing the military tribunal, since passed, was also valid, and that body was lawfully established. It

\* Articles 65 and 66.

† *Edwards v. Attorney-General for Canada*.

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follows, of course, from this decision that no article of the constitution is fundamental, and that all, or any of them, can, for the present at all events, be repealed by ordinary legislation. It is understood that an appeal against this decision will be made to the Supreme Court, which includes Chief Justice Kennedy, who was the legal adviser of the Free State Government when the constitution was framed. Pending the final decision of this important issue, General O'Duffy's appeal to the Supreme Court, against the decision of the High Court that the military tribunal was entitled to try him on the charge of being a member of an illegal organisation, has been adjourned.\*

Another serious constitutional question will be discussed in the case of Moore and others *v.* the Attorney-General for the Irish Free State and others, which is an appeal to the Judicial Committee of the Privy Council in respect of an important decision of the Free State Supreme Court concerning fishing rights in the river Erne. The Judicial Committee has given the petitioners leave to argue the question of the validity of the Free State Act abolishing the right of appeal to the Committee, and the hearing of this argument will take place in October. It will raise questions of vital importance, which may include those that have been raised before the Free State High Court. A peculiar legal position has also been created by the recent High Court decision in the case of Captain Hughes. This ex-officer, who is a prominent member of the Blue Shirt organisation, was convicted by the military tribunal of attempting to obtain confidential official information by bribing a detective officer, and was sentenced to two years' imprisonment. This conviction has now been upset by the High Court, on the grounds that the certificate from the Minister (which is required by the Act before such a prosecution can be initiated) was not recited in the conviction, and that therefore, as a record of a judgment by an inferior court, the conviction was bad on its face. The

\* See *THE ROUND TABLE*, No. 95, June 1934, p. 587.

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Government, without explanation, thereupon released 37 other prisoners, in whose convictions a similar mistake was apparently made.

### III. THE ANGLO-IRISH DISPUTE

MEANWHILE the dispute with Great Britain continues its miserable course. It is now two years since it began, and although both sides protest their desire for peace they seem equally unwilling to take any step that might bring it nearer. Mr. de Valera is clearly now content to let the Free State suffer indefinitely the serious economic loss involved, in the hope that either a European war or a change of Government in Great Britain will eventually deliver him from the mess into which he has landed the country. Mr. MacEntee, the Minister for Finance, threw an interesting light on the Government's attitude when he said in the Dail, on May 17, that the Government hoped that the cost of bounties and subsidies on agricultural exports was not going to be a recurring item in their annual expenditure. They hoped that, as Deputy McGilligan had said, there would be a realisation on the part of their friends on the other side of the water that their relation to them was one not merely of geographical proximity but also of great strategic importance to Great Britain in time of war. Because we had trade advantages to offer Great Britain that the Dominions had not, and because we could be of material assistance to her in times of national crisis, from the point of view of British national security it would be an unpardonable mistake—the consequences of which would be heavily visited on her own people—to strangle our cattle trade and cripple our agricultural industry. The Government hoped that, through the ultimate realisation of these important facts by all parties, it would not be necessary to continue these export bounties and subsidies indefinitely.

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On the other hand, a month previously, Mr. de Valera, speaking at Arva, County Cavan, on April 7, said that the British market had gone and never would come back ; and in the Dail, on May 25, he made a remarkable speech on the relations between England and Ireland, which illustrates very well his extraordinary mentality. The British, he said, were always irritated because the Irish would not submit to the system of government that had been given to them, and thought that the Irish should be delighted to be united with Great Britain. His reply was, supposing Germany had won the Great War and had annexed Great Britain to the German Empire, what would the British people have said ? That, in effect, was what had happened to Ireland. Ireland had not yet secured independence. If she had, why was Cobh being held, and why were the British maintaining parties of troops on Irish soil ? Was it with the will of the Irish people that the six northern counties were cut off from the rest of the island ? It was quite true that they were free to a very large extent. But there were certain things that they would not have if they were really free. If South Africa was satisfied with its status that was the South African people's own affair. Ireland was a nation before South Africa was thought of. It was as old as the British nation. Here, indeed, Mr. de Valera made a point that is often forgotten. Ireland is a self-conscious European nation, a Dominion neither in origin nor in substance, and the Treaty of 1921 has failed largely because it overlooked this essential fact and sought to treat a mother country as a developed colony.

Mr. de Valera went on to say that he had been asked why they did not declare a republic. It was because when they did so they wanted the declaration to be effective ; they did not want a débâcle as in 1921. Their policy was to explore the possibilities of the position in which they found themselves in order to get the maximum amount of freedom out of it. When they came to the end of their

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limit they would ask themselves how long it must be borne. In this connection it is interesting to remember that Mr. de Valera accused Collins and Griffith in 1921 of yielding to Mr. Lloyd George's threat of "immediate and terrible war." When asked by the Opposition to state what threats were now being made to prevent him from declaring a republic, he could only refer to economic action. If there was a position of real equality between the two countries, he added, common interests could be determined and a form of association agreed upon, to the mutual benefit of both. This, of course, means that he still believes it possible to revive the proposals for external association between the Free State and Great Britain embodied in the famous Document Number Two, and advocated by him in 1921. It is difficult to see what difference there is between external association and complete separation, for all international relationship can be covered by the term "external association."

In the House of Commons, on May 29, Mr. Thomas, the Dominions Secretary, said that his attention had been called to Mr. MacEntee's speech, and that he was glad to note its conciliatory tone, which Mr. de Valera's subsequent statements did not confirm. He added that the British Government were ready at any time to enter into negotiations with the Irish Free State Government for the settlement of all outstanding questions. The default of the British Government on the American war debt payments, and the German suspension of transfers of long-term debt service, encouraged a Labour member to move in the House of Commons, on June 18, for the repeal of the special duties on Free State agricultural produce. Mr. Neville Chamberlain, the Chancellor of the Exchequer, said that there was all the difference in the world between the default of the Irish Free State and the other defaults mentioned. The British Government was merely the channel between the Irish farmer, who bought his land and agreed to pay annuities, and the owner who sold the

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land to the farmer. The British Government agreed to pay the owners, and the Free State Government agreed to collect the annuities and hand them over to the British Government for the purpose of meeting the obligation that the British Government had undertaken towards the owners. The Irish Free State Government was still collecting the annuities, and was withholding them from the British Government. The dispute between the Irish Free State and the British Government, although it originated in its present form in the withholding of the land annuities and certain other payments by the Irish Free State, was actually a political dispute. If the British Government had agreed to the Irish Free State's becoming a republic, and to other breaches of the Treaty, the dispute might have been settled. The duties had been put on to recoup, as far as possible, the British taxpayer for the loss that was unjustly and unfairly imposed on him by the action of the Irish Free State. It was expected that the default up to March 31, 1935, would be £14,512,000, of which it was estimated that £10,000,000 would be recovered by the duties. Mr. Chamberlain declined to give an assurance that the duties would not be continued as protective duties when the dispute ended. He could not say on what terms they would be able to settle with the Irish Free State, or commit himself to particular conditions.

Mr. de Valera, speaking in the Dail on June 22, characterised Mr. Chamberlain's statement as a complete misrepresentation. The Free State, he said, was simply refusing to meet a claim which they regarded as unjust, and which was not founded on any legal or moral right. If there was any movement by people in Great Britain to bring about a settlement, it must be based upon some understanding of the Free State Government's case. He argued that the land purchase advances were made on the joint credit of Great Britain and Ireland, and that the combined effect of the Government of Ireland Act of 1920, the Treaty, and the agreement of 1925, which relieved the

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Free State of any liability for the British national debt, was to transfer to Great Britain the obligation of repaying the land purchases advances, and to Ireland the right to receive them, a right exercised by the Government of Northern Ireland. The question of the Free State Government's being a "channel" did not, therefore, arise. It had a right to collect, but it had no duty to transfer the moneys. Anything like the suggestion that there was a contract between the bondholder and the tenant-farmer was absurd.

Speaking in the Dail on June 6, Mr. MacDermot, one of the Opposition leaders, taunted the Government with maintaining the ideal of a republic and indefinitely postponing its realisation. Mr. de Valera, he said, was a bogus explorer, and the expedition into the adventurous wilds on which he invited them amounted to nothing more than a stroll round Stephen's Green. In other words, the Government were striking off fetters of cotton wool and knocking down castles of pasteboard. Demonstrations of that kind might impress our more foolish citizens, but they gave us a reputation abroad for childishness and self-deception. The policy of the Government was feeble and tinkering, a policy of pin-pricks. It poisoned our relations with the British Government, increasingly estranged the North, and was a demoralising influence on our own people. The preaching of republicanism by a Government that retained a non-republican constitution rotted the minds of our young men, excused the existence of organisations that used sinister methods to achieve aims of violence, weakened the authority and prestige of the Government, and produced hatred, dissensions and confusion of mind and purpose. They should, he said, either take the republic, and face the music, or have the courage to accept free and equal partnership in the British Commonwealth, the only method by which ancient animosities could be appeased, and North and South welded together.

In reply, Mr. de Valera made another long speech ; the Opposition, he said, had taunted the Government with

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being afraid to declare a republic, but the majority of the Irish people were prepared to accept the consequences of separation from Great Britain when the test was put to them. He would be willing to prophesy from the whole of Irish history that separation from Great Britain would take place, and it was becoming easier as time went on. They in the Free State were prepared to say to the British that they would give them a preference over other countries if Great Britain would give a similar preference to their goods. That, he said, was the sort of bargain that would last between the two countries, for it was based on equity and common interest. They had no enmity towards the British. They had no desire to injure them in any way. They were simply out to secure their own rights. They would not accept treaties or documents that were forced upon their people with threats. On July 5, Mr. Thomas, in reply to a questioner in the House of Commons, who asked whether the Government were prepared to consider the ending of the dispute with the Irish Free State on the basis of a united Ireland, said that no Government would coerce Ulster into an agreement against its will ; they would not get a settlement by capitulating to terms that in the end would be more disastrous than the existing situation.

Mr. MacEntee, the Minister for Finance, speaking in the debate on the Appropriation Bill in the Senate, on July 12, made a statement on the present plight of the Irish farmer, and suggested that, while the land annuities might have given the British the opportunity of taking steps to restrict the Irish cattle trade, steps which they would in any event have taken sooner or later, they had little bearing on that trade at the present moment. The Irish Free State was the only country that could give Great Britain the raw material to supply its production, and he expressed the belief that it would enjoy that advantage, irrespective of what its political relations with Great Britain might be. Concluding, he said that the recent local

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government elections, and in fact the whole history of the Free State, showed that, even though it might entail great economic suffering, the mass of the Irish people were not prepared for the full acceptance of the British Commonwealth of Nations. They should be given the right to choose for themselves what their relations with the Commonwealth were going to be, and to be free to make that choice. The best way to settle that question was to put the Irish Free State in a position of complete independence in regard to the Commonwealth, and then let the people of Great Britain, on the one hand, and the Irish people, on the other, negotiate what their future relations were going to be. Pronouncements of this kind, which ignore the existence of Northern Ireland and its attitude, are of little use, for the Irish people are not confined to the Free State. And so, with the constant repetition of these now rather monotonous statements and arguments, this senseless controversy proceeds. It is a tragedy that the statesmanlike common sense responsible for the recent Anglo-French and Anglo-German agreements, and for the negotiations with South Africa, seems to vanish when Irish affairs come up for discussion.

### IV. THE LOCAL ELECTIONS

THE local elections, which took place on June 26, reveal no serious change in public opinion. The numbers of each party returned were as follows : Fianna Fail, 728 ; United Ireland, 596 ; Independents, 371 ; Labour, 185. Of the Independents, 118 are said to favour Fianna Fail and 253 United Ireland. This means that the Government bloc holds 946 seats against 934 held by its opponents. Four county councils—South Tipperary, Kilkenny, Queen's County and Waterford—which had anti-Government majorities, were superseded before the election by managers appointed by the Minister for Local Government, on the

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grounds of alleged maladministration, and no elections were therefore held in these areas. General O'Duffy, somewhat foolishly, claimed before the election that his party would secure a majority in every county council. In fact, they have done so only in eight out of twenty-three. The most remarkable feature of the election results is the number of Independent candidates returned, but this is due to the operation of the proportional representation system of voting, which favours the return of powerful local personalities, who, with their relations and friends, are often able to obtain the necessary quota, regardless of their political affiliations. Labour has done very badly. In the Connaught and Ulster counties it secured no representation at all on the county councils, and only eleven seats in Munster. This shows that the Labour party, like the young lady of Riga, is likely to come back, from its ride with Fianna Fail, inside the tiger. The election was fought without disturbance, and, largely because of the Blue Shirt organisation, there was no attempt to intimidate or interfere with voters. All parties are notoriously hard up, as people have no money to spend on politics, and consequently, except for crude slogans, largely personal, painted on walls and roads, there was very little publicity or excitement.

On the whole the result proves that the Government, even on the restrictive property-occupation franchise on which the election was fought, are able to hold their own, and there can be little doubt that in a parliamentary election they would probably improve their position. Mr. de Valera, however, has not received the clear vote of confidence that he obviously expected, as at least half the responsible citizens are shown to be opposed to his policy. Before the election General O'Duffy unwisely stated that his party regretted the election could not be fought on the wider franchise ; whereupon the Government took him at his word and re-introduced in the Senate the Bill to enlarge the local government franchise, which that House

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had rejected last year. It promptly rejected it again. It is clear that Mr. MacEntee's optimistic budget\* has been a strong point in Mr. de Valera's favour, and has been accepted by many people as proof of the country's prosperity, although most of those with property have only to examine their individual position to realise that this is a false conclusion. There seems to be no reason why Mr. de Valera should not now continue in office till the end of his normal term in 1938. By that time he will have abolished the Senate, and carried the other Bills that have been suspended by that House. These include the Bills for the abolition of university representation, the alteration of constituencies, and the reduction of the number of members in the Dail, the passage of which will strengthen his position in a general election.

On the other hand, his relations with the Irish Republican Army have not improved. Mr. Tom Barry, one of their leaders in the south, was recently tried by the military tribunal for being in possession of a machine gun and revolver ammunition, and was sentenced, on conviction, to twelve months' imprisonment, a result which did not increase the Government's popularity with his supporters. Mr. Rutledge, the Minister for Justice, recently pointed out that if there was a change of government, the whole of the I.R.A. would be mopped up within twenty-four hours, and that he knew everything that happened at their meetings. This statement was obviously made for the purpose of reminding the I.R.A. that there are worse possibilities than Mr. de Valera. There is no doubt that the Civic Guards must now have full information concerning the I.R.A., as they have become a public organisation since Mr. de Valera came into office; consequently, their suppression would be comparatively simple if General O'Duffy were returned to power. But the I.R.A. have their own internal troubles as well. Their leaders have split, with our natural fissiparous tendency, into two

\* See *THE ROUND TABLE*, No. 95, June, 1934, p. 596.

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separate parties, one led by Mr. Maurice Twomey, the Chief of Staff, and Mr. Sean MacBride, and the other by Mr. Peadar O'Donnell and Mr. Michael Price. The difference between them concerns tactics rather than principle. The Twomey group, who are in the majority and retain control of the I.R.A. proper, do not favour direct political action, whereas Mr. O'Donnell and his associates (now known as the Republican Congress party) advocate the establishment of a workers' republic through political methods, such as the contesting of elections and the penetration of the trade unions. The annual pilgrimage of the I.R.A. to Wolfe Tone's grave at Bodenstown was enlivened by a definite clash between these rival groups. Wolfe Tone, whom all the extreme organisations seek to appropriate as their patron saint, seems to have a bellicose effect on his votaries. The only real difference, however, between the new organisation and the I.R.A. is that the former is openly communist in aim and policy, while the I.R.A. prefers to camouflage, at least for the present, its communistic leanings.

Meantime, the tale of petty outrages continues. Since the United Ireland party was formed last September, over four hundred outrages have been reported in the press as having been committed against its members or supporters. Of these approximately 132 can be classed as major outrages, in that they were committed under arms, but only 35 persons have been convicted and punished for all these offences against public order. A disquieting development in Dublin has been the tendency of crowds of hooligans to pursue and maltreat members of the Blue Shirt organisation when in uniform, and it is not surprising that some of the latter have lost their heads and retaliated. In one recent case a Blue Shirt was convicted of manslaughter, having, under considerable provocation, shot one of a crowd attacking him.

Our economic position has not altered materially during the last few months. Our export trade is still declining.

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During the year ended May 1934 our adverse trade balance increased by £4,000,000. It is now almost precisely equal to the value of our exports. The Free State's total trade is, to-day, little more than half what it was five years ago. The effort of the Government to build up an industrial life and organisation continues. Its most recent effort in this direction is a Bill intended to restrict still further the investment of foreign capital in Irish industry. Mr. Lemass, the Minister for Industry and Commerce, claims that since 1931 the employment in the food, drink, and tobacco industries has increased by 2,000, in the apparel industry by 4,500, and in the metal manufacturing industry by 2,000. But the other side of the picture is represented by the outspoken criticism of Mr. Norton, the leader of the Labour party, who, speaking in the Dail, did not hesitate to state that there is a most cruel and inhuman exploitation of child labour in connection with these factories ; as well as by the fact that the Free State is one of the few countries in the world where unemployment is definitely increasing. It is believed that the Government intends shortly to introduce legislation which will practically prevent British fire and accident insurance companies from doing business here, and that some form of government guaranteed insurance scheme will be proposed. It is also probable that the banking system will once more be brought under review, and that the establishment of a central bank under government control is possible. Obviously, such a step would facilitate the raising of future government loans.

The Irish Free State.

August, 1934.

## GREAT BRITAIN: HOME AND FOREIGN AFFAIRS

THE issues that have been uppermost in British politics during the past three months are not, properly speaking, issues of the moment: they are, if not always, for a long time with us. The Joint Select Committee that is to advise Parliament on the future constitution of India has been considering its report, and meanwhile the agitators against the White Paper plan have been skirmishing with its defenders up and down the country, particularly in Lancashire. There has been an effervescence of fascism which has stirred all three leading parties into vehement championship of our traditional liberties. And largely because of fascism abroad, foreign politics and defence still occupy much space in our newspapers, our parliamentary debates, our thoughts and our conversation.

### I. LANCASHIRE AND INDIA

THE Committee of Privileges completely and unanimously exonerated Sir Samuel Hoare and the Earl of Derby from Mr. Churchill's charges of tampering with the evidence before the Joint Select Committee on the Indian reforms. The Committee of Privileges were

clearly of opinion that the Manchester Chamber of Commerce were, in fact, not over-persuaded or talked into an opinion which they did not honestly form.

Sir Samuel and Lord Derby had admittedly brought to the Chamber's attention the fact that publication in India of

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certain passages in the original memorandum of evidence would gravely prejudice the success of the Lancashire mission, which had been given a mandate of co-operation and good-will. But the decisive influence in altering the Chamber's mind was messages from the mission in India itself.

In an important part of their report, the Committee of Privileges discussed the character of the Joint Select Committee, which Mr. Churchill had described as "sitting in a judicial capacity."

The Committee (ran the report) is concerned with questions partly of policy and expediency and partly of constitutional theory and practice. . . . The ordinary rules which apply to tribunals engaged in administering justice or deciding issues of fact between contending parties cannot be applied to the Joint Committee.

Many of its members had already, before their appointment, formed opinions about its subject matter. Its proceedings were open to press comment. Witnesses before it might appear as advocates of a particular political theory or might represent a particular interest for which they asked protection.

This point was naturally seized upon by the Conservative opponents of the White Paper, who have strongly protested against the Government's policy of keeping India out of party debate while the constitutional reforms are being considered by the Joint Select Committee. The *Morning Post*, the leading die-hard journal, gave this interpretation of the Privileges report.

The Committee, that is to say, having already made up its mind on the case to be considered before it was appointed, there could be no harm in trying to influence the witnesses (so long as the attempt was not successful).

Mr. Churchill himself made play with the same argument in the debate on the report of the Committee of Privileges. He refused to withdraw or modify his charges. The report,

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he claimed, had established that the Secretary of State and Lord Derby, through the best of motives and in a perfectly honourable manner, had attempted to deter the Manchester witnesses from presenting the evidence they desired.

The incident has had two main effects. It has embittered still further the personal and political antagonisms aroused by the India issue in the Conservative party. And it has woken ancient strife in the Lancashire cotton industry. At the end of June Mr. Churchill addressed a big meeting in Manchester, at which he appealed for "the exhumation of the corpse" of the original evidence laid before the Select Committee. A resolution to this effect was carried, demanding "that effective guarantees for the maintenance of the mutually advantageous trade between Great Britain and India should be inserted in the proposed new Indian constitution." Later the malcontents requisitioned a special meeting of the Manchester Chamber of Commerce, at which they submitted a resolution re-affirming the original proposals of the Chamber for safeguarding British trade in India, as expressing the true interests and needs of Lancashire. The resolution, however, was defeated in favour of an official amendment pledging support for the efforts of the Chamber

in representing to H.M. Government their anxiety in connection with the White Paper proposals. The meeting wishes particularly to endorse and emphasise what has already been submitted to the Joint Select Committee . . . to the effect that the British Parliament is under an obligation to avoid any situation which would imperil the existence of the cotton trade. The meeting therefore urges on H.M. Government the paramount importance of inserting in the proposed new Government of India Bill definite safeguards for the British cotton textile trade with India, so that, while in no way interfering with the development of the Indian cotton industry, such safeguards will ensure a reasonable chance of the continuation of the old-established and important trade in British cotton textiles in India.

Both parties to the dispute hailed this result as a victory for their side.

The Lancashire conflict runs deep. Can special interests

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be protected under the new régime in India by constitutional checks and safeguards ? Or is their surest defence the grant to India of a constitution that will give the reins to men of moderation and sense, and maintain between India and Great Britain the good-will that a stinting of self-government might well destroy ?

### II. SOCIALISM, FASCISM AND SEDITION

THE Unemployment Bill\* has passed into law, though not all of its provisions are yet operative. When it is brought fully into force, public assistance to the able-bodied unemployed who have fallen off insurance will be administered exclusively under national statute by a national authority, headed by an Unemployment Assistance Board. Sir Henry Betterton, lately Minister of Labour, has been appointed first chairman of the new Board. A man of courage and intelligence, liked by all parties, he was a popular choice ; but some Opposition critics have vigorously expressed their doubts whether it is wise to appoint as chief administrator of an Act one who has been himself largely responsible for the terms of the Act and for piloting it through Parliament.

The appointment entailed some ministerial changes—a delicate matter when the balance has to be maintained between the different groups that compose the National Government. Mr. Oliver Stanley succeeded Sir Henry Betterton, and was himself succeeded at the Ministry of Transport by Mr. Hore-Belisha. The latter's position at the Treasury was filled by Mr. Duff Cooper, the Financial Secretary to the War Office ; Mr. Hacking, who took over Mr. Duff Cooper's post, was succeeded as Parliamentary Under-Secretary to the Home Office by Captain Crookshank. The general post strengthens the "young Tory"

\* See *THE ROUND TABLE*, No. 93, December 1933, p. 126, and No. 94, March 1934, p. 354.

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element in the Government, especially in view of the fact that Mr. Stanley enters the Cabinet. The more far-reaching reorganisation of the Ministry that was predicted when the Prime Minister's health compelled him to rest for several months has not taken place. In Mr. MacDonald's prolonged absence abroad Mr. Baldwin presides at the Cabinet, and while Mr. Baldwin is himself on his usual continental holiday Sir John Simon acts in his place. Conservatives of the Right have openly grumbled at this preference of the National Liberal Foreign Secretary over the Chancellor of the Exchequer or some other Conservative member of the Cabinet.

Sir Henry Betterton's appointment necessitated his resigning his seat in Parliament. Rushcliffe again returned a Conservative, as it has at every election since the war. The most noteworthy outcome of the election was the decline in the Liberal vote. The total poll was 6,000 lower in the by-election than in 1929 ; of that 6,000, Labour lost 1,000 and the Liberals over 5,000. Electorally, the Liberal party is in an unhappy position. If it puts up candidates at every by-election, some are bound to do badly, and their failure damages the party's prestige ; on the other hand, if the fight is frequently left to Labour and Conservatives, the electorate gains the impression that there are only two parties worth bothering about. At Rushcliffe the Liberal vote does not seem to have been given preponderantly to the Labour candidate, as in certain other by-elections ; but small polls make interpretation difficult. At West Ham, Labour regained a seat that they lost in 1931, but their vote dropped by more, compared with 1929, than did the Conservative vote. An extreme Left candidate, representing the Independent Labour party, threatened the Labour cause at the by-election, but he obtained little more than one-thirtieth of the poll. At another by-election of the quarter, at Merthyr Tydfil, rival Left-wingers appeared, an I.L.P. representative and a Communist. Their combined poll would have placed them a

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moderate third to an official Labour candidate and a Liberal (who incidentally did very well); but as rivals each of them lost his deposit. Thus even in the most depressed areas extremism seems to make little appeal. The other by-elections to be recorded (Hemsworth in the West Riding, Monmouth, Twickenham, Weston-super-Mare, and Fermanagh and Tyrone) produced no change in the habitually Conservative representation.

The voting has given evidence of three things. First, there is little political enthusiasm among the electorate. No party, and no issue of the moment, seems violently to attract either their hatred or their devotion. Second, communism makes no noticeable headway in seducing the Labour voter from his party allegiance. Third, the Liberals lack something that is needed to appeal to the masses—leadership, perhaps, or a policy sharply distinct from that of the other two parties. A well-known Liberal, Major H. L. Nathan, M.P. for North East Bethnal Green, has publicly joined Labour. He severed his connection with the Liberal party in the House eighteen months ago, by crossing into Opposition before the decision to do so was taken by the party leaders. In his view,

The Liberal party, whatever its achievements in the past—and they were many and great—as an organised political force is doomed. The electors have shown clearly—and never so plainly as in the last few months—that they want to return to the two-party system.

If that is true (it certainly cannot be accepted as proved) two sources of comfort will be found by those, whether they call themselves Liberals or not, who view with concern the difficulties of this great party. First, the leaven of ex-Liberals will check the tendency shown in certain Labour circles to count personal and parliamentary liberties as little worth beside the need they allege for sweeping reorganisation of finance and industry. Second, the three-party system always threatens the possibility of parliamentary deadlock, to the public discredit of democratic

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institutions. Fugitive alliances of minority blocs presage a triumph of fascism.

In a recent address Sir Herbert Samuel acknowledged that the reason why there was no prospect of the return of a strong Government of the Left was because "the progressive forces—both of leadership and of numbers—are divided; they are divided between Liberals and Labour." The barrier to co-operation, he added, was that Labour had tied its fortunes to the theory of socialism. Attachment to socialism was, indeed, underlined in the Labour party's most recent statement of policy, issued by the National Executive Committee of the party under the title *For Socialism and Peace*. Public ownership and control of the principal industries and services is declared to be an essential step in a fundamental economic reconstruction. Fair compensation should be paid to existing owners, but thereafter they should have no further part in the control or management or policy of the publicly owned concern. Drastic reorganisation—in most cases immediate public ownership—is demanded for banking and credit, transport, electricity, water, iron and steel, coal, gas, agriculture, textiles, shipping, ship-building and engineering. The Governor of the Bank of England should be appointed by the Government and be responsible to a Cabinet Minister. The joint stock banks should be amalgamated into a single banking corporation and run by a small directorate appointed by the Government, which would indicate the general lines of policy. While the manifesto asserts that reform of the procedure of the House of Commons is urgently necessary, it is at pains to assert the democratic and anti-fascist principles of the Labour party, which "seeks to attain its purposes by persuasion, and not by violence, and to maintain that right to full freedom of criticism and association without which human life is deprived of dignity and fullness."

Of the character of fascism in Great Britain an earlier article in this number has written at length. Here we

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may simply note the hot indignation aroused by the events that took place at the Olympia meeting, addressed by Sir Oswald Mosley, on June 7. Among the eye-witnesses who publicly protested against the violence used upon interrupters by black-shirted stewards were several Conservative members of Parliament. In answer to a question in the House of Commons, the Home Secretary pointed out that in accordance with settled policy it is no part of the ordinary duty of the police to deal with interrupters at public meetings held on private premises. They have no legal authority to enter the premises except by leave of the occupier or the promoters of the meeting, or when they have good reason to believe that a breach of the peace is being committed. Nor is it any part of the duty of the police to act as stewards at meetings. At Olympia, the police were not called into the meeting, though on one occasion a party of policemen entered the building on being informed that a man required attention. The Home Secretary pointed out, however, that hitherto police practice had been based on the assumption that in dealing with interrupters stewards would act without undue violence and would themselves avoid illegal acts. If this assumption was found to be unwarranted as regards meetings arranged by any organisation, the whole question of police action inside such meetings would have to be reviewed.

Scenes of disorder on the scale which we have recently witnessed (said Sir John Gilmour) cannot be tolerated, and if they continue it may be necessary to arm the executive authorities with further powers for the purpose of preserving public order.

No definite action has yet been taken in this direction, and perhaps no statutory changes are necessary. The possibility of banning the wearing of political uniforms is also under consideration by the Government. They will doubtless be reluctant to create a new and necessarily vague offence, and will prefer, if it is possible, to rely upon

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the law as it stands and the common sense of British citizens.

Meanwhile, they themselves have been accused by their opponents of fascist intentions in promoting the Incitement to Disaffection Bill, commonly known as the Sedition Bill. From the point of view of the Government, it is a timely and essential measure to check seditious propaganda among the armed forces of the Crown, if necessary by preventive action against those who seek to beguile the men from their allegiance. From the point of view of the Opposition, it is an abuse of official authority, a threat to free speech, an encroachment on the liberties of the subject—liberties that were won, in face of just such legislation, by Wilkes and other heroes of British democracy. It is strange, perhaps, that the Minister in charge of a Bill against which such accusations can plausibly be raised should be Sir Thomas Inskip, the Attorney-General, who pleaded not long ago for the continuance of National Government on the very ground that a reversion to party politics would let in the enemies of democracy, who would carve up our cherished liberties.

It is stranger still that the Labour party, whose socialist policies must necessarily inflate bureaucracy and enhance the power of the executive, should find on this occasion a notable ally in Professor Sir William Holdsworth, the distinguished author of the *History of English Law*. For Sir William has frequently protested against the encroachment of bureaucracy and executive authority upon the judicial and legislative fields, and it is mainly on this ground that he has based his criticism of the Sedition Bill. Yet after all, Sir William and the socialists are no less companionable bedfellows than bookies and anti-gamblers in opposition to government totalisators, or bootleggers and teetotallers in defence of prohibition. His main objections to the Bill were three : that Section 2 (2), which created an offence of doing, or attempting to do, an act preparatory to the commission of an offence under another

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section, was contrary to the spirit of our criminal law, in its loose definition of a crime ; that far too wide powers were given to a single Justice of the Peace in the determination of what was a suspicious act justifying search or arrest ; and that the Bill revived that notorious threat to individual liberty, the general search warrant. On the last point he quoted with effect the famous judgment of Chief Justice Camden in *Entick versus Carrington* in 1765 :—

With respect to the arguments of State necessity (said Lord Camden) or a distinction that has been aimed between State offences and others, the common law does not understand that kind of reasoning, nor do our books take notice of such distinction.

Need we look further for a text against fascism ?

The Government have struck out Section 2 (2), have given to two magistrates the authority (previously given to one) to order a search of a suspected person or premises, and have made further concessions on the Bill in Standing Committee. In this, though they have not yet placated Sir William and other critics, they have given evidence of their good faith in the defence of our liberties. Sir Thomas Inskip, in a heated defence, described the Bill as one of those minor measures conceived to be necessary to prevent our liberties from being interfered with. Abuses of power could not be limited by any Act of Parliament. The checking of them must depend on the control of the House of Commons over the executive. The real safeguard, he declared, was not in putting amendments in the Bill, but in retaining freedom of parliamentary discussion. If under the search warrant clause things were seized under conditions which were not proved to be justified, there would be such an explosion of popular indignation that no Government could survive for twenty-four hours. Sir Thomas doubtless exaggerates ; for it happens not infrequently that through mistake, excess of zeal, or very occasionally malice, unjustifiable charges are brought against individuals, and the surface of the political waters

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is barely ruffled. But he has made it plain that he and his critics fight on the same side against a common enemy—arbitrary power seeking to destroy the rule of law. Quite recently the law strikingly asserted itself by procuring the acquittal of two well-known communists, Messrs. Pollitt and Mann, who had been arraigned on a charge of making seditious speeches. In brief, judge and jury found the police evidence too good to be true. Mr. Justice Talbot, summing up, declared that there was no law in this country against either the forming or the expression of opinions on any public matter—political, social or economic—so long as it had not been directed to an illegal offence.

### III. FOREIGN POLICY AND THE AIR

**A**MID this restlessness at home, turbulent conditions abroad have kept foreign policy in the centre of public and parliamentary interest. The different parties denounce each other, in this no less bitterly than in other fields ; but that British public opinion is largely united on the essentials of our foreign policy was proved by the general welcome given to Sir John Simon's pronouncement on the Barthou plan for an "Eastern Locarno." After outlining the proposal—a regional pact of mutual guarantee between Russia, Germany, the Baltic States, Poland and Czechoslovakia, and a tri-partite guarantee, involving Russia, Germany and France, to reinforce the Locarno treaties—the Foreign Secretary described the conditions that he had attached to British support, in his conversations with M. Barthou. First, "whatever the interest or encouragement which this country may be prepared to offer to this new pact, we are not undertaking any new obligation at all." Second, the guarantees must be genuinely mutual, so that there should be no suspicion of building up one combination against another—Russia and France must give the same guarantees to Germany as, in association with her,

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they gave to each other. Third, the pacts must be subordinate to the general collective system represented by the League of Nations ; and to this end the U.S.S.R. should be brought into the League, where Great Britain was prepared to welcome her warmly. Fourth, the opportunity of the pacts should be used for a fresh attempt to secure international disarmament, on the basis of "the principle of German equality of rights under a régime of security for all nations."

If these conditions were fulfilled, the proposal well deserved the support of the British Government and the British people. Opposition and Government supporters alike applauded ; even Mr. Churchill was found approving the entry of the Soviets into the League, and affirming that it was the interest of Russia to preserve peace. The pronouncement, indeed, turned despair into hope in many a man's contemplation of the European cauldron. But the problem of security and pacification is like a Chinese puzzle ; how often, with those baffling pieces of wood and wire in our fingers, have we imagined that the solution was found, when most of the elements had slipped cunningly into place, only to discover that the whole must be taken apart again because some forgotten piece would in no wise fit ? Perhaps for a like reason M. Barthou's ingenious solution of the European riddle was given a premature acclaim. Afterwards the doubters began to formulate awkward questions.

How will Poland, embarked willy-nilly on the shifting tide of Russo-German relations, view the prospect either of an alliance between them or, in the alternative, of their fighting on her soil the battles to which the new guarantee system might one day compel them ? Will Germany be willing to add to her non-aggression agreement with Poland a positive guarantee of existing frontiers, to be backed by the arms of France, Russia and the Little Entente ? Will she not view the proposed system as a fresh *Einkreisung*, masquerading in the thin disguise of mutuality—as an attempt, that is to say, to bring Russia and the Baltic

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States into the pro-French bloc of the Little Entente and Poland ? Will the Baltic States, including Lithuania, accept any more readily than Germany the permanence of their present frontiers ? Is this but another instrument for solidifying the whole territorial situation in Europe as it arose from the peace treaties and the subsequent conflicts ? What of the countries not invited to participate—Hungary, for instance ? Above all, how does the plan bear on the most inflammable issue of all in Europe, that of Austrian independence ?

There are, indeed, objections to every human device, and doubtless these hypothetical troubles are more than balanced by the remarkable merits of the Barthou plan. But before the chancelleries of Europe had had time to weigh the various arguments, or public opinion to express itself, events occurred that placed the whole project of an "Eastern Locarno" in the shadow of an immediate threat to peace. The Nazi coup that brought Dr. Dollfuss to his death was indeed defeated—largely, it seems, because the insurrectionaries over-estimated the public support behind them ; but as a result the unstable equilibrium of Austrian politics has become even more precarious. Though Herr Hitler made haste with lively gestures to wash his hands of the affair, not all the perfumes of Arabia (or Arya if you will) can out the damnéd spot that marks the record of his public attitude towards Austria. Another and better opportunity of intervention may come one day. Henceforward, perhaps, he will be deterred a little, from what he has acknowledged in *Mein Kampf* to be his eventual design, by the clear proof that in order to secure Austria he will have to fight Italy—and if Italy then doubtless others too. The embitterment of Italo-German relations was one of the most unhappy results of the assassination of Dr. Dollfuss. Perhaps the best that can be said of the incident is that it has helped to fuse Austrian opinion, has reduced the strength and enthusiasm of the malcontents, and has given to Germany a stern warning.

## Foreign Policy and the Air

Official British policy is simple and unchanged. We support the independence of Austria. We have, indeed, put our name to protocols in which Austria herself promised to maintain it, and we share with Austria in more general instruments guaranteeing the integrity of all subscribing countries. But we uphold the independence of Austria as a matter of high policy as well as of treaty engagement ; for her absorption into the Reich would set Italy at Germany's throat, would clasp Czecho-Slovakia in geographical pincers, and would threaten the whole balance on the Danube. The mass of British people, perhaps, know little about the terms of our international undertakings or the strategic dangers of central Europe. But they could, and did, instantly appreciate that interference by a great Power in the internal politics of its smaller neighbour is a base breach of international rights, and that the assassination of Dr. Dollfuss was a miserable crime.

There has been no debate in the House of Commons on foreign affairs since the events of July 25 in Austria, but they were fresh in everybody's mind when five days later the House debated the programme of increased air defences that had just been announced. The programme, which if fully carried out will raise the number of machines in the Royal Air Force from 844 to 1,304, is to be spread over five years, and is in any case contingent on the circumstances of the future, including the progress of the Disarmament Conference. Even the critics of this decision admit that it has not been taken lightly or wantonly ; for the air force programme of 1923, which was then intended to be carried out with as little delay as possible, has never been completed, and in the last few years, while other countries have been largely increasing their air forces, we have held our hand in the hope of success at the Disarmament Conference, or in fear of prejudicing its prospects. During the last four years, according to Mr. Baldwin, whereas our increase of air strength has been but 42 machines, France has added between 300 and 400 machines to her force, and

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has appropriated £15,000,000 for re-equipment over and above the annual air estimates ; Italy, though she has increased her strength by no more than 65 machines, has provided £2,750,000 for the "renovation" of her air force ; the United States has not only increased her strength by 240 machines, but has also just approved a programme of 1,184 additional aircraft for the naval air service ; Russia, for whom precise figures are difficult to obtain, "is making considerable increases to an already very large force." As for Germany, she is, of course, forbidden by treaty to possess any military air force ; but she leads the world in civil aviation, and it stands to reason (according to the Lord President of the Council) that when she has the right, or seizes the right, to re-arm, "she has every argument in her favour, from her defenceless position in the air, to try to make herself secure."

Mr. Baldwin was not altogether happy in drawing what he perceived as the moral of these facts. No doubt there echoed in his mind the memory of earlier speeches in which he depicted the horrors of a future war in the air.

The only defence (he said in November 1932) is in offence, which means that you have to kill more women and children more quickly than the enemy if you want to save yourselves.

This is, indeed, no argument for putting ourselves in the position of seeing our own women and children slain without being able to make an equal or more drastic retort ; but it is an argument for putting every ounce of effort into securing an aerial disarmament convention, even at the immediate cost of military or political interests. The Government, said Mr. Baldwin, stand by the British draft convention presented to the Disarmament Conference. That plan envisaged the complete abolition of military and naval aircraft, subject to an effective supervision of civil aviation to prevent its misuse for military purposes (a problem which has not been solved). This ultimate goal not being immediately attainable, we had proposed that before the expiry of the convention every

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national air force should be reduced, the maximum being 500 aeroplanes. Mr. Baldwin claimed that an increase of our air strength, so far from prejudicing the success of the Disarmament Conference, might spur it to more fruitful efforts. The main obstacle to its success at the moment was the insistence of Germany on an immediate measure of re-armament and France's refusal to agree to it.

This gulf (he went on) is not easy to bridge, but it is not likely to be made any wider by our remedying the deficiencies in our national defences. . . . If the other nations find that we are no longer content to remain comparatively disarmed in this respect when they are all armed, and that increasing expenditure on their part may be met in like manner by ourselves, that in itself will be no mean weapon to use in inclining them to discuss more seriously than some of them have yet done the question of aerial disarmament.

The unhappy thing is that this or similar arguments may be used by other countries, not least cogently by those now compulsorily disarmed.

But plainly Mr. Baldwin's want of ease in arguing the Government's case lay not so much in his anxiety for disarmament as in the lack of certainty in his mind upon what fundamental conception of international politics British defensive policy must be based. He laid stress on our collective obligations, and on the need for having adequate forces to carry them out; if we have not, our strength when sanctions come to be used against the aggressor, and the influence of our guarantees in maintaining the general peace, are alike enfeebled. But the Lord President was not able to say—because it would have been untrue—that we ourselves relied in any direct sense on collective guarantees to ensure our own security; and there were passages in his speech that suggested he was thinking in terms of a broken-down League and of a European system of alliances, balance and national policies, such as ruled before the war. In a sentence hailed with delight in France as recognising at last the unity of purpose and interest between that country and Great Britain, he declared that

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when we think of the defence of England we no longer think of the chalk cliffs of Dover ; we think of the Rhine. Mr. Churchill was still more outspoken. Germany, he said, is the specific danger. If Germany is secretly re-arming in the air (as many people believe),

then there is cause for the very grave anxiety which exists in all parts of the House, not only because of the physical strength of the German air force, but I am bound to say also because of the character of the present German dictatorship.

The Foreign Secretary's reply was cautious, but he declared, after referring specially to Germany, that the purpose of the Government's proposals was to secure, among other things, that at no moment during their stewardship would this country fail to have a military air force adequate to the circumstances with which we might have to deal. This basing of defensive policy on the definite contingencies that seem to present themselves is doubtless wise in the troubled world that we know. But it may be asked—and the Opposition did not forget the question—what has this to do with the declared aim of parity in the air with any foreign Power. If Germany is the potential enemy, why seek parity with France ? If on the other hand our purpose is to be strong in defence of the collective system, why plan in terms of limited alliances and special objectives ? The fact is that we have not yet thought out our position in the world of to-day. Perhaps our hesitation is all to the general good ; for an uncritical faith in a weak collective system would be as dangerous as a flat decision to go back to isolation or alliances.

It is a deplorable fact that although Mr. Baldwin declared that the air armament proposals formed part of a comprehensive scheme covering imperial defence, not a single contributor to the debate discussed air defence as a co-operative business of the British Commonwealth, or referred to the size, the nature and the purpose of Dominion air forces.

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There was another aspect of the air armament proposals that received but little attention in the debate, and that was the cost to the taxpayer. An estimated total of £20,000,000 is to be spread over five years. This is not very much in itself, but unfortunately it is not the only new expenditure that has been incurred or promised since the budget was so triumphantly balanced. The proposed subsidy to tramp shipping \* is to cost a maximum of £2,000,000 for one year, of which, at a guess, one half may be paid out before the end of the current financial year. No less than £3,000,000 is to be paid into the new Cattle Fund for the benefit of British graziers,† all before March 31 next; by that time, expenditure under the Milk Bill ‡ will have amounted to £1,882,000. Various other supplementary items, excluding the additional air vote that will be needed, bring the total of unbudgeted expenditure to well over £6,000,000. The revenue returns, it is true, have been buoyant, but when the economy motive is apparently so little regarded it is time to take thought for a more distant future than the next few months, and to ask ourselves whether before long another purge like that of 1931 may not become necessary in the national finances.

\* See p. 762.

† See p. 754.

‡ See p. 756.

## CANADA : CONSERVATISM ON THE BRINK

THE first half of 1934 has witnessed some important developments in Canadian politics, their most significant feature being a serious retrogression in the fortunes of the Conservative party. Moreover, this comes at a time when the party, at least in the federal field, has been displaying, under the leadership of Mr. Bennett, a zeal for progressive legislation and adventurous economic experiments that has not been habitual to it in the past. The Ministry, indeed, achieved during the session that has just ended a notable record of legislative accomplishment of a very useful type. The Bill providing Canada with a central bank, the Natural Products Marketing Act, and the new franchise measure, which creates a permanent register for federal elections, and promises to curtail the length of campaigns, will all effect far-reaching changes in their respective spheres of operation; substantial relief was granted to debt-burdened farmers, an adventure in currency inflation was launched by an amendment to the Dominion Notes Act, the Bank Act underwent its decennial revision, and there were very useful, if humdrum, achievements in the recasting and consolidation of federal legislation on shipping, corporations and insurance. Few sessions since the war have yielded such a large and important list of new legislation.

Yet, while the session was in progress at Ottawa, the Conservative party suffered two grave reverses in provincial politics; following the loss of Nova Scotia and British Columbia in the latter half of 1933, it has now to contemplate ruefully the passing of two other large provinces,

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Ontario and Saskatchewan, into Liberal control. By far the worst blow was the devastating defeat that befell them in Ontario on June 19. For years Ontario has been what would be called in the United States a "rockribbed stronghold" of the Conservative party. It was as long ago as 1904 that a Liberal Ministry last held office at Toronto, and in the intervening years the Conservative supremacy was unbroken, save for a brief interregnum of a Farmer-Labour Government after the war. In the last legislature, elected in October, 1929, the Conservative party held four-fifths of the seats, and it seemed assured of almost indefinite continuance of political control in the province. The Liberal party was weak, badly organised and rent by internal quarrels, and the independent agrarian movement had petered out. But a succession of developments after 1930 wrought a rapid change in the political scene in Ontario. In that year the province felt the full impact of the depression, which brought about a collapse of industry, widespread unemployment, hard times for farmers, increased government expenditures and diminished revenues ; and just at this time the Conservative Ministry was deprived of the leadership of Mr. Howard Ferguson, who had been the chief architect of its victory in 1929, through his acceptance of the office of High Commissioner in London.

It soon became plain that his successor, Mr. George Henry, though a trusted colleague, could not bend Ulysses's bow. His Administration was before long in trouble, struggling with a host of baffling economic and social problems. Meanwhile, the Liberals, who had been afflicted with incompetent or unsatisfactory leaders ever since the Hon. N. W. Rowell migrated to federal politics in 1917, had chosen in 1932 a new leader, Mr. Mitchell Hepburn, who at the age of 30 had won a seat in the Federal Parliament at the general election of 1926. Grave misgivings about his youth and inexperience were entertained when he was selected, but he soon proved to be exactly the sort of leader

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that the times demanded for an Opposition faced with an uphill fight. The Conservative press has been fond of hurling such epithets at him as "cocky," "blatant," "irresponsible" and "reckless"; but he was not long in showing himself to be an expert electioneering artist of the Lloyd George brand, with an infinite capacity for witty vituperation, and a real gift for the telling phrase and the gibe that sticks. Retaining his seat at Ottawa, but blithely neglecting his duties there, he campaigned for two years up and down Ontario, and found large audiences to listen to his vitriolic indictment of the Henry Government for a long list of sins. He charged it with incompetent stewardship of the province's affairs, with wasteful extravagance in administration, with crass neglect of the unemployment problem, with favouritism to political friends, and with other misdemeanours; as the depression deepened, he managed to capitalise successfully the widespread popular discontent.

He also found invaluable ammunition in some scandals involving the honour of Ministers. The most serious of these charges concerned a transaction whereby in 1930 the Ontario Government had acquired for the Hydro-Electric Commission of Ontario a large power development on the Abitibi canyon in northern Ontario, owned by a company whose finances were in such a sad plight that the value of its \$100 bonds had fallen to below \$30. The Ontario Government, nevertheless, agreed to place a value of \$90 on these depreciated bonds, and it was a great day for Mr. Hepburn when it was revealed that, at the time of the transaction, Mr. Henry had held personally \$25,000 of these bonds, and was the director of an insurance company owning \$200,000 more. The Premier was charged by his opponents with using his high office to avert financial losses for himself. There was great dismay among the better element in the Conservative party, and influential Conservative papers like the *Ottawa Journal* and the *London Free Press* urged Mr. Henry to resign forthwith;

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but he stubbornly clung to the Premiership, essaying some naïve explanations of his conduct, which merely served to convince the public that, if he was honest, he was extremely stupid.

Faced with a rising flood of popular indignation, and worried to death by Mr. Hepburn's wasplike attacks, the Conservative Government, last spring, played its final card in the shape of a measure liberalising the liquor laws so as to permit the public sale of wine and beer in hotels and clubs under strict government regulation. Mr. Hepburn, however, countered this move by endorsing the proposed legislation, and declaring that he would permit nothing to divert public attention from the misdeeds of the Ministry. The latter, having waited till almost the last available minute before plunging into the chill waters of an election, made the campaign as brief as possible. But from the start it was on the defensive, and Mr. Hepburn was able to keep the unhappy Ministers running round in baffled despair like frightened poultry chased by a fox.

The Liberals also decided that it would be good strategy to introduce federal issues into the provincial contest ; they therefore proceeded to lay the blame for industrial unemployment, agricultural depression and other troubles on the fiscal and other policies of the Conservative party, and to argue that the defeat of the Administration in Ontario, by driving another nail into the coffin of Mr. Bennett's Ministry, would be a long step towards the reversal of these policies. Faced with this attack, Mr. Bennett intervened in the election with a radio appeal on the eve of polling, but it failed to rally the thousands of disaffected Conservatives, who either stayed at home or voted Liberal. The Government had also to cope with the attack of the new C.C.F.\* party, which nominated candidates in about 30 seats, and, as the event proved, drew votes in the industrial centres from Conservative rather than from Liberal candidates.

\* Co-operative Commonwealth Federation.

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All the portents indicated that the Conservatives would be defeated, but nobody was prepared for the tremendous landslide that swept them out of office and gave the Liberals a more commanding majority in the new legislature than their opponents had ever enjoyed after their greatest triumphs. Out of 90 seats in the legislature, Liberal candidates of the official stripe captured 65, and 7 more were filled by members of hyphenated nomenclature, who are pledged to co-operate with the Liberals. Hence although the C.C.F. returned but a solitary member, the Conservatives found their representation reduced to 17, the lowest in the party's history. They find, however, some little comfort in the figures of the popular vote, which were as follows : Liberals, 717,055 ; Conservatives, 593,133 ; C.C.F., 98,489 ; others, 83,030.

Mr. Hepburn, who at once took office, has formed a Cabinet that is counted presentable, but only two of his Ministers have had any administrative experience outside local affairs, and it has yet to be tested in the hard school of office. Although its tendency to enforce the rule of *vae victis* in politics by dismissing office-holders of Conservative leanings displeases the enemies of the "spoils" system, it has already been able by its house-cleaning activities to effect considerable economies in administrative expense. It has also initiated an inquiry by two judges into the Abitibi power deal, and proposes to hold similar inquisitions into other transactions of the late Government. During his campaign Mr. Hepburn pledged himself to abolish the office of Lieutenant-Governor, on the ground that the latter's functions could be adequately performed by the Chief Justice of the province. Since assuming office he has invited Lieutenant-Governor Bruce to resign voluntarily, but it is doubtful if he will carry out his threat to withdraw the annual vote for the maintenance of Government House at Toronto, as there is no popular enthusiasm for such a move.

On the whole the change in the Ontario Government

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was generally welcomed ; for the provincial Conservative party was obviously suffering from most of the maladies that arise from unduly prolonged tenure of office. But for the Liberal party generally the recapture of Ontario after thirty years of futile striving was indeed a "crowning mercy," and Mr. Mackenzie King, Mr. Taschereau and other Liberals proceeded forthwith to predict the impending doom of the Bennett Ministry at Ottawa.

The simultaneous Conservative defeat in Saskatchewan, which polled on the same day, was less surprising ; for this western province is a predominantly agrarian community and its inhabitants have acquired an ingrained animosity to the high tariff policies favoured by the Conservative party. Accordingly, ever since its organisation in 1905, the province had an unbroken succession of Liberal administrations until in 1929 it ejected the Gardiner Ministry and installed a Conservative Premier, Mr. J. T. M. Anderson, in office. Lacking a majority in the legislature, however, he had to rely upon the support of Progressives and Independents, and as the agricultural depression grew worse with the decline in prices, aggravated by a series of droughts, his Ministry led a difficult and embarrassed existence. By-elections also revealed that the voters were ready for a change.

By the beginning of this year the Liberals under Mr. Gardiner, who had meanwhile reorganised their forces, saw only one serious obstacle to their return to power, namely the growing strength of the new Co-operative Commonwealth party. It had secured in the province a very competent and attractive leader in Mr. M. J. Coldwell, a school teacher in Regina who had had a successful career in the municipal politics of that city. Moreover, the very radical programme of the C.C.F. seemed likely to appeal to debt-ridden farmers, who had for several years been hard put to it to make a bare livelihood, and who were in a thoroughly disgruntled mood.

During the election the Liberal leaders adopted a very

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plain strategy for dealing with the Conservatives ; they simply branded them as complaisant accomplices of the Ministry at Ottawa in foisting upon Saskatchewan a high tariff policy. The latter, they asserted, by provoking fiscal reprisals on the part of other countries, had injured numerous foreign markets for grain and thereby depressed its value, and had also raised the costs of production when they ought to be lowered. As in Ontario, the cry was raised that the defeat of Mr. Anderson would bring nearer the end of Mr. Bennett's reign at Ottawa. In his election manifesto Mr. Gardiner said :

The objective of the Liberal party is to find outlets for the surplus of wheat and other farm produce which Saskatchewan sells. The Liberal party will insist upon the immediate removal of obstructions to trade between Canada and other countries desiring to trade with her.

There seems little doubt that the unpopularity of Mr. Bennett's tariff policy played a large part in the wholesale defeat of Conservative candidates.

As polling day approached, the Liberal strategists, realising that their most dangerous antagonist was the C.C.F., concentrated their fire upon its candidates. They denounced them as socialist revolutionaries who were bent upon nationalising everything and transforming independent yeomen into servile tenants of the State. The Liberal campaign lacked nothing in exaggeration, Mr. Coldwell being depicted as a dangerous minion of Moscow and credited with the real name of "Goldberg," a charge wholly fictitious. The C.C.F. candidates, who had been nominated in practically every constituency, stood by the collectivist programme of the party, tempered with reservations about the private ownership of land. During May, when another severe drought had reduced the farmers in large areas of the province to despair and made them indifferent to Liberal vaticinations about the bolshevist designs of the C.C.F., the latter party seemed to be making rapid headway. But when a generous rainfall in the early

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weeks of June improved crop prospects the farmers began to see dangers in the C.C.F. programme.

In consequence, when the ballots were counted, it was found that Saskatchewan had reverted to its old traditions by giving the Liberals an overwhelming majority of 50 out of the 55 seats in the legislature ; the remaining five seats fell to the C.C.F., not a single Conservative being elected. The membership of the new legislature is not, however, a fair reflection of the state of popular opinion ; for although the Liberals polled nearly 146,000 votes they were actually in a minority, the C.C.F. securing 98,000 and the Conservatives 90,000. The advocates of proportional representation are making the most of this situation.

As a result of these two provincial elections, the Conservative party finds itself in control of only two out of the nine provincial administrations, namely, those of the small maritime provinces of New Brunswick and Prince Edward Island. Now provincial political machines can be very useful allies in federal elections, and the Conservative members at Ottawa fully realise under what a handicap they will be in seven provinces when they have to face the voters. They are also depressed at the voters' slashing treatment of Conservative Administrations and policies during the past year ; and they are frankly puzzled why economic recovery, which has been going on steadily for the last nine months and has already brought the index of the physical volume of business back to its highest level since midsummer 1930, has not soothed the present discontents and brought the country to a more tolerant view of the Conservative party and its works.

It is not as though the Bennett Ministry had been unresponsive to the radical temper that has been manifesting itself among the voters. Indeed, the most interesting development of last session at Ottawa was the Government's series of leftward moves, which earned the enthusiastic commendation and the active support of the C.C.F. group. But still the tide of public opinion has con-

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tinued to run strongly against the Conservatives, and for this fact two primary causes are assigned by the political experts. First, the high protectionist policy, which the Conservatives put into force after the election of 1930 and have not substantially relaxed, has antagonised a wide variety of interests. It is unpalatable not only to the farmers but also to other primary producers like the lumbermen, fishermen and miners ; it is anathema to all the importing interests ; it is unpopular in the seaports ; and it is disliked by financial interests like mortgage companies, which are embarrassed by the farmers' inability to pay their debts. The cold truth is that under present conditions there is not available in Canada the necessary political support for a policy of rigid economic nationalism. If all the interests that are adversely affected by it combine forces, as they now seem to be doing, it has no chance of survival.

A second obstacle to Conservative hopes is the curious personality of Mr. R. B. Bennett, the Prime Minister. He is wont to declare that he was "mortised and tenoned" in Conservative principles, but time and again during his career as Premier he has shown a contemptuous disregard for them, and by no stretch of the imagination could he be classified as a normal Conservative. His possession of a great fortune, together with the control of a very prosperous industrial establishment, has enabled him to meet the spokesmen of "big business" on their own ground as an equal, and has made him indifferent to the pressure that they have been able to exercise successfully upon most Canadian Ministries. As the Central Bank Bill, the measure for currency inflation and the Natural Products Marketing Act all prove, his Government has been much less tender to "big business" than was the last Liberal Administration at Ottawa. But unfortunately for himself and his party Mr. Bennett persistently reveals his authoritarian temper in action and speech ; he both looks and talks like a pillar of the "big business" world, and the plain folk of Canada

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have apparently made up their minds that he is no friend of theirs and have turned their thumbs down for him and his party. Nor has Mr. Bennett taken the trouble to acquire a personal following whose loyal devotion would compensate for this marked disability under which he now suffers as a politician. He has been indefatigable in his labours, and has already left his mark as a reformer of out-worn institutions on sane progressive lines, but he seems to be lacking in the qualities that gave Macdonald, Laurier, Borden and Mackenzie King, in turn, long tenures of office.

Accordingly, the outlook for the Conservative party in the federal election, which must take place within a year, is decidedly gloomy. It is true that the statutory term of the present Parliament does not expire until July, 1935, but there are obvious difficulties about the Government's clinging to office for another twelve months. Ever since the last two provincial elections the Liberals have been vociferously claiming that Conservative policies have been repudiated by the country, that the Government has no longer a mandate, and that it should test the verdict of the voters without delay. In the closing days of last session Mr. Mackenzie King intimated that as soon as Parliament reassembled he would move a vote of no confidence in the Ministry ; he even went so far as to threaten that, if the Government remained in office in defiance of popular disapproval, he would obstruct the passage of supply. The Liberal case for an early dissolution will be greatly strengthened if a miniature general election now fixed for September 24 to fill vacancies in four federal seats, all in Ontario, yields the same sort of disastrous results for the Government as other recent by-elections.

Some people believe that such an outcome would force the Government to go to the country, but there is the difficulty that it will be virtually impossible to put the new registration and franchise system, which received the approval of Parliament last session, into operation by the end of this year. A more convincing forecast is that

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Parliament will be re-summoned in November instead of January and will sit through the winter. During the last session, according to this prediction, the Government would pass a series of measures of industrial reform, based on the recommendations of the Stevens committee on price spreads and wage conditions, now finishing its work with the status of a Royal Commission, and would try to evolve a programme that would recapture the goodwill of the voters. Then it would dissolve Parliament in April or early in May and seek a new mandate, fortified by hopes that by that time the errors of the new Liberal provincial Administrations would have produced a reaction. This course would avert an unpleasant squabble, which has already begun, about Mr. Bennett's mandate to represent Canada at the important gathering of the statesmen of the Commonwealth in London during the celebrations of the semi-jubilee of King George's accession to the Throne.

Canada.

July 26, 1934.

## ECONOMIC PROBLEMS IN AUSTRALIA

### I. BRITISH AGRICULTURAL POLICY

THE visit of the High Commissioner in London (Mr. Bruce) brought home to the Australian people some disturbing facts and policies. The British Government were determined to stimulate a revival of agriculture in Great Britain. As a means of doing so, their present policy was to regulate the importation of foodstuffs, and it was anticipated that this regulation would be extended to Dominion products, in the shape of a check on expansion or an actual reduction, as soon as the terms of the Ottawa agreements permitted. It was not the function of a High Commissioner to formulate an Australian policy to meet the situation that threatened ; but obviously it called for serious thought by the whole community, and principally of course by the Governments, both Commonwealth and State. A conference of Governments was held at Canberra, followed by a further conference of State Ministers of Agriculture and the Commonwealth Minister of Commerce. Mr. Bruce also addressed representatives of producers and commercial organisations.

As the conferences were secret and the *communiqués* not very communicative, rumour and speculation were encouraged. There were strong reactions against any suggestion of restricting exports, and even a check to expansion was regarded as a disastrous prospect for a country that had planned its development with the aid of heavy expenditure, represented by corresponding overseas

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loan liabilities. The situation affected not only the present primary producers but also the hopes of re-employing those now out of work and of finding work for the natural increase of population, not to speak of any prospect of absorbing immigrants ; it involved also public finance, both internal and external. It appeared, too, in the course of discussion that the prospective British policy was not merely a bargaining counter, to be met by the provision of a better Australian market for British manufactures ; nor could Great Britain, whether as a creditor or as a trading country, throw the whole burden of her policy of restriction upon foreign countries, in the interest of the Dominions. It was not, of course, overlooked that Australia's capacity to meet her overseas obligations depended upon her overseas markets. Current history readily suggested that when these markets were cut off by the creditor country's policy, new considerations entered in ; and the producers' representatives pointed out that the British policy was calculated to encourage extremist policy in Australia.

A statement by the Prime Minister on May 8 cleared up some of the more obscure points, and expressed the Government's present attitude. There were as yet no definite proposals by either the British or the Commonwealth Governments, and the initiative lay with the British Government. Regulation of imports by Great Britain might not mean a reduction of supplies from Australia, but it might impose a check on expansion. Still, the situation was so grave as to require the urgent consideration of Commonwealth and State Governments, as well as of producers themselves, in view of the organisation and co-operation that new marketing conditions might make necessary. The policy to be followed was a search for new markets rather than a curtailment of production.

In the past Australia has concentrated on Empire markets, but it must now seek an expansion of foreign trade. . . There is an ever increasing disposition for countries to confine their purchases to countries which buy from them, Australia will do the same.

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This was neither petulant nor minatory in the conditions of to-day ; for a country is unlikely to find new markets without undertaking to buy in them.

An examination of the principal factors in the situation will show at once the probable effects both on economic conditions and on public opinion in Australia.

The last twenty-five years have witnessed a remarkable expansion of rural development in every Australian State. Every government has been impressed with the desirability of making greater use of the large areas within its boundaries. In every region where there was a chance of developing a more intensive production, schemes for effecting such development have been set on foot. Wide areas of forest have been cleared for dairying or for fruit-growing. Millions of acres previously used for "extensive" grazing have been put under wheat, or mixed wheat and sheep. Costly water supplies have often been necessary to permit these changes in some areas. Railways and roads have been laid down, and the various social organisations necessitated by closer settlement have been brought into being. Other districts have been prepared for irrigation, and large reservoirs with their attendant channel systems are now in operation. The major part of this development has been undertaken on the basal assumption that markets for the increased production would be forthcoming, and Great Britain has been looked upon as the most important of those markets.

The various governments have borrowed freely and have pledged their credit to obtain capital for the development of these undertakings. Since the war, the British Government itself has also taken part in these efforts by endeavouring to stimulate migration by the provision of money for development at low rates of interest. The aggregate sum advanced to settlers to enable them to develop their farms has been of the order of £85 million.

Recent railway construction has not been entirely for development purposes, but the major portion of new mileage

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in recent years has had that end in view. Since 1917, when the Trans-Australian railway was opened, about 5,500 miles have been constructed at an average total capital cost of over £10,000 per mile, and many lines built prior to that date would never have been laid down except for the desire to foster agricultural production ; £50 million may therefore be taken with safety as a rough estimate of the extra capital borrowed for Australian railways as a result of more or less planned agricultural development.

The irrigation schemes that have been constructed cover roughly a million acres. The total cost of headworks and reticulation, and of preparing the land for production, is certainly of the order of £50 million. The cost of roads, schools, and other equipment of social and administrative service is also large but is more difficult to estimate.

Accordingly, it is reasonable to suppose that, taking these items together, certainly not less than £150 million of State and Commonwealth indebtedness has been incurred in the expectation of expanding markets for primary products. Apart from debts of this class, there is also the money that has been borrowed by farmers themselves from banks and other lending institutions, from private mortgagees, and from wholesale and retail houses of various kinds. The total of this indebtedness is not accurately known, but it is not likely to be less than another £150 million.

The world agricultural crisis has naturally caused very serious financial embarrassment to Australian governments on account of the difficulties that they have encountered in collecting interest on their advances. These difficulties are one of the main reasons for the predicament in which the treasurers of the several States find themselves. The shock that the depression of agriculture has given to the general economic structure of the country is equally important. On top of all this there appears to have been a radical alteration in British agricultural policy, and when once the new machinery for controlling imports is brought into being it is very unlikely to be readily jettisoned.

## British Agricultural Policy

Experience of the course of tariff development in other countries suggests that restrictions are likely to become intensified rather than lightened when once the principle has been accepted. Hence the Commonwealth Government's intention, as already stated, is to look more and more in other directions for our markets. But the following considerations will show how difficult that may well be for certain of Australia's main export commodities.

It is true that Great Britain apparently does not propose to make any change in her attitude towards many products from Australian rural industry, such as wool, hides and skins. In the case of other products, such as beef, the new policy will have an effect but it will be of comparatively slight importance to the finances of the average farmer and of the States, because export beef is produced on large holdings, which do not involve large numbers of farmers, and have neither been the object of much capital expenditure nor been financed directly by the State.

The forms of rural production that have been especially stimulated by the application of borrowed money during the last two decades are butter, mutton and lamb, wheat, dried and fresh fruits. For the production of most of these commodities climatic conditions endow Australia with certain natural advantages. In these cases Australian costs of production are definitely lower than similar costs would be in importing countries, and compare very favourably with costs in other exporting countries. Of such commodities, which are in fact part of Australia's natural contribution to overseas trade, Great Britain takes about two-thirds of Australia's exports. Each requires brief consideration.

Exports of butter and cheese have doubled since 1927. The causes have been numerous; the dairy cow population increased by 16 per cent. because many wheat farmers and some small wool growers, finding prices too low for profit, began to supplement their earnings by increasing the number of cows they kept, and also because new diary

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farms were coming into production or methods were being intensified. In addition, home consumption declined by about 5 per cent. and the average productivity per cow rose by about 12 per cent. This last result was due partly to the greater use of supplementary rations owing to the cheapness of grain, partly to a succession of favourable seasons, and partly to the steady influence of educational propaganda stimulating better methods.

Of this export of dairy products Great Britain took over 90 per cent. It is therefore a fair inference that the application of a system of regulation of Australian butter imports into Great Britain may cause a very serious situation in the Australian dairying industry. It is useless to talk of finding other markets as if they grew on hedges or in the ground. Other countries that import dairy produce in any quantity are few in number and already fully supplied. The effect of restriction by Great Britain must be a super-saturation of the home market, which, in the absence of new outlets, would lead either to controlled production, with all its attendant difficulties, or to mass bankruptcy of the producers.

The effect of British policy upon British home production is, of course, a matter for British decision. It seems at least possible, however, that the recent gains of Australian butter have been made at the expense not of the British dairy farmer but of the trade in substitutes for butter. If this is so, restriction of imports from Australia would not necessarily bring any correlative advantage to British agriculture.

The present low prices for butter will naturally cause a diminution of the Australian supply, unless the farmer can obtain further support for home prices. The price of butter-fat on the farm is about 8d. per lb. (Australian currency); at this figure supplementary feeding is scarcely economical, and lack of it will diminish the "off season" supply. In addition, many of the "casual" dairymen will probably drop out; and last, but by no means least, past experience

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suggests that seasons less favourable to pasture growth will recur in the near future. All these factors will tend towards readjustment of the system along what used to be regarded as "natural" lines.

The wheat position is somewhat different. Great Britain has taken about one-half to one-third of Australia's exports during recent years, but these seasons have been somewhat abnormal. The Australian pound was further below parity with the United States dollar than it is to-day; consequently Australian wheat found a readier market in the East than could the similar grain grown on the Pacific slopes of North America. Now that American currency has depreciated and a special trade agreement has been made between the United States and China, Australia is no longer able to sell such large quantities in the latter country. It follows that the Australian exporters have again to look for their main markets in European countries, most of which are still in the grip of the policy of self-sufficiency in breadstuffs. Great Britain remains Australia's only large market. The British policy of a guaranteed price for a limited home crop has naturally stimulated further British production to the disadvantage of all who expect to sell wheat in Great Britain.

Another important factor is the special qualities of Australian wheat. The flours produced from most European wheats are lacking in colour and also in the capacity to produce a large loaf. The latter is a rather more essential quality than the former. Australian wheats produce flour of a good white colour, but are not "strong" in the baking sense. Now as a European miller must give first consideration to producing a flour that gives a large loaf, it follows that when he has to buy wheat he naturally turns to the "strong" Canadian wheats first. In these days of limitation of imports, therefore, the Australian product will be at a disadvantage in the selling scramble. The present season, in which the price of Australian wheat in London has been about 15 per cent.

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lower than Canadian, despite the fact that only two-thirds of Australia's quota has been sold, is indicative of the position.

Australian exports of mutton and lamb have increased markedly in recent years with the progress of closer settlement. The United Kingdom takes over 90 per cent. of these exports. If Great Britain intends to press for further restriction of imports, with the idea of fostering the consumption of the home-produced article, there must inevitably be an over-supply on the Australian market, with consequential rapid decline in price. Again it is useless to suggest finding new markets as if they could be produced by a conjurer's wand. The world is not in the habit of eating mutton. Great Britain is the only market of considerable size, and the creation of new markets would at best be a long business.

The final result might be a swing towards wool-producing sheep, but it is not always easy to grow high-grade wool in districts suitable for raising lamb and mutton. Further, there remains the very definite question whether the British farmer can produce mutton and lamb at prices within the purchasing range of the masses of the people ; if he cannot, then curtailment of imports may lead to the consumption of less meat rather than of more English meat.

The fresh fruit position is somewhat different. Apples are the chief concern of Australia. Here it must be agreed that there is some evidence that exports require re-organisation. Present prices do little more than pay for packing and freight, and with present systems of distribution it seems difficult to sell Australian apples at a lower retail price than 6d. per lb. in England. At this figure it may well be found that the British market is virtually saturated during parts of the import season. Australian growers are endeavouring to limit exports in certain ways. If the present reports of a large increase in the acreage planted in Great Britain are correct, and if the quantity of fruit cool-stored increases, then the position of the export trade

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from the Commonwealth will be at a further disadvantage, particularly in those seasons when growing conditions have endowed the home-grown fruit with satisfactory keeping quality.

An examination of the position from the point of view of the individual producer in Australia shows that farmers differ widely, both in the scale of their indebtedness and in the character of their operations. Some have inherited holdings more or less free from debt, some have gone into debt in order to enlarge their properties or to start their sons on the land, and many have been busy developing their holdings from the "bush" in the last decade; those of this last group have usually been doing so with loans from government institutions. In general the most recent attempts at settlement have been in districts where the soils are less fertile or the climate less reliable than in the districts of older development. Such districts could never have been developed at all without the aid of modern machinery, which enables large areas of low-yielding land to be used. The effect of a restriction of output on such a system of agriculture is by no means straightforward. If the farmer cannot plant a fairly large area the use of his machinery becomes uneconomical. The possibilities of producing other crops are so limited that they may be regarded as negligible. The land thrown out of cultivation can usually be used only for grazing. This change to grazing is actually happening in some places as a result of the depression. In other instances, where the holdings are too small and the carrying capacity is too low, the farmers are carrying on, living on a pittance or using up their slender resources. Some adjustments, by amalgamation of farms or by reduction of interest charges, are inevitable.

In such circumstances, migration schemes fade away as a practicable policy until both the existing population and migrants alike, in taking up life upon the land, are ready to accept it as a way of living rather than as a road to fortune.

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These are among the consequences that a sudden change in its economic conditions brings upon a new country planned for development and caught midway in its expansion. Self-sufficiency has not yet gone so far as to confine these consequences to the country itself.

### II. THE COMMONWEALTH BASIC WAGE

**W**AGE adjustments have been an important feature of depression policy in Australia. In January 1931, the Commonwealth Arbitration Court made its important declaration in favour of a 10 per cent. reduction in the real basic wage, and varied nearly all awards in conformity with that declaration.\* As the quarterly cost-of-living adjustment was in operation, the total fall in the nominal basic wage from the 1926 level was 30 per cent. at its maximum in the first quarter of 1933. This policy of applying a 10 per cent. reduction in real wages was continued until May 1933, when the Court, in reviewing its original declaration, decided to change the index number on which the cost-of-living adjustment was made. The index number used at that time measured changes in the prices of food, groceries and house rent. This omitted clothing and miscellaneous expenditure amounting to about 40 per cent. of the typical family budget. The Court selected an "all-items" index number including this expenditure. The prices of foodstuffs, exposed as they were to the full operation of the fall in Australian export prices, had declined more rapidly than prices of clothing and other protected and sheltered goods that are included in the "all-items" index. Hence wages, adjusted according to changes in the more restricted index number, fell after 1929 more than they would have fallen had they been adjusted by the "all-items" index number. The Court, in May 1933, adopted the latter index number, and grafted it on to the

\* See *THE ROUND TABLE*, No. 83, June 1931, p. 659.

## The Commonwealth Basic Wage

old food-and-rent index from the end of 1929. It did not restore the 10 per cent. cut in real wages, because it held that economic conditions were not favourable to such restoration. Nevertheless its decision at that time had the effect of raising the real basic wage by about 6 per cent.

Wage-fixing tribunals in Australia are much too frequently criticised for neglecting the productivity of industry in making their awards.\* During the depression the Commonwealth Court has paid special attention to this problem; in fact its decisions in the past four years have been determined mainly by its own estimate of the capacity of industry to pay. In the case of some sheltered industries, its estimates have been based too narrowly on the capacity of the industry immediately concerned, regardless of the effect of higher prices on unsheltered industries. In general, however, it has taken a wider view. No precise measure of capacity to pay is available to the Court. It has to hear evidence on the economic condition of the country—export prices, and the prosperity of export industries, unemployment, profits of industry, estimates of the national income, the condition of public finance, the general economic policy of Commonwealth and State Governments. Armed with the information on these and related problems presented to it in evidence, the Court must arrive at a rough general estimate of the economic position and of the capacity of industry to pay a given wage rate. The Court has repeatedly indicated its desire to maintain as high a wage as circumstances permit. On the last occasion on which it reviewed the basic wage (April 1934) the Court expressed the view that some improvement

\* We deal here only with the Commonwealth Court awards. During the depression State Courts in New South Wales and South Australia have made wage adjustments roughly comparable with those made in Commonwealth awards. In Queensland and Western Australia the Courts have consistently refused to follow the lead of the Commonwealth in reducing real wages. The basic wage fixed by these Courts is only 13 per cent. below the 1928 level. Consequently the real basic wage has risen. Wages Boards operate in Victoria and Tasmania and they tend to follow the Commonwealth Court.

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was evident in industry. In a majority decision Chief Judge Dethridge and Judge Drake-Brockman concluded :

The position may be summed up by saying that there is now an increase of confidence among the community resulting in freer expenditure and some increase of investment in industry, but that former prosperity is far from being restored.

Their judgment provided for a higher real basic wage than the depression wage fixed in January 1931, but they arrived at this position by a rather devious route. This was unfortunate because it left the impression that no concession was granted to wage-earners. Going back to the harvester wage of 1907,\* and using the original index number of food, groceries and house rent (all houses), these judges found that the average basic wage for the six capital cities would have been 65s. They adopted this as a new starting point, abandoning both the Powers 3s. (see footnote), which had been added since 1922, and the 10 per cent. cut, which had been imposed in 1931 and continued nominally in the award of 1933 (though actually the use of the "all-items" index number restored 6 per cent. of the 10 per cent. cut). Thus, if the real or effective basic wage be taken as 100 in 1929, the 1931 decision reduced it to 90. By the 1933 award it was raised again to 96. The award of 1934 took this standard for Australia as a whole.

For different States there were, however, considerable changes. The Court adopted an "all-items" index for varying the award between States and for future cost-of-living adjustments. For technical reasons concerning the computation of the index numbers, this change had the effect of lowering wages in some States and raising them

\* This was a rough empirical estimate by Mr. Justice Higgins of the wage that reputable employers should be paying. He fixed this wage at 42s. per week. It was subsequently accepted as the Commonwealth basic wage and adjusted quarterly according to changes in the cost of living. The Powers 3s. (so styled after the name of the judge who conceded it) was added in 1922 to compensate wage-earners for the lag in adjustment at a time of rising prices, and continued when prices fell, first to make up for past losses, thereafter from sheer inertia.

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in others. Though the variation was undoubtedly fairer than the old one, it naturally caused a good deal of resentment in States that experienced lower rates under the new procedure.

In a separate judgment Judge Beeby took a slightly more hopeful view of the economic position, which he held to be much better than in May 1933, when the Court last reviewed the basic wage. He stated, however, that

recovery was not sufficient or permanent enough to justify belief that the Commonwealth can get back to pre-depression standards.

Agreeing with his colleagues that the spending power transferred from wage-earners by the original 1931 wage cut was not all spent by employers, he quoted figures to show that the proportion of national income going to wage-earners had fallen during the depression. He doubted whether this change could contribute towards Australian recovery. While stressing the importance of productivity as a basis for wage determination, he thought that more consideration should be given to the effects of depression policy on the distribution of national income.

The Court should, to the fullest extent permitted by changed economic circumstances, restore the reductions in real wages.

He proposed an average basic wage rate of 66s. for the six capital cities and agreed with his colleagues that the "all-items" index number should be used for future adjustments.

All judges decided in favour of adjustments in amounts of not less than 2s. per week. Unless the index number changed sufficiently to cause a variation either way of 2s. no change in the basic rate was to be made. Two days after the Court's decision, the cost-of-living figures for the first quarter of 1934 were published. They showed that on the old methods a rise of 1s. would have been made. The majority judges announced in these circumstances that they would raise their basic figure from 65s. to 66s. Thus by a

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different route they reached the same conclusion as Judge Beeby.

There is one other important, though technical, feature of the judgment. The Commonwealth Arbitration Act gives to awards of the Court the force of law, and the High Court has held: (1) that by virtue of the paramountcy of Commonwealth law an award will override any State statute with which it conflicts; (2) that an award may bind a State with respect to its industrial employees, as for instance in the transport services. This has been a cause of much dissatisfaction to State governments, which have put forward their consequent lack of financial control over State undertakings as a serious factor in the adverse financial position of the States. Recently, indeed, several States challenged, though without success, the jurisdiction of the Arbitration Court. The latest decision of the Arbitration Court, however, now gives to State governments, within certain limits, the freedom they have claimed. The award itself provides that the wage provision shall not operate where, in the case of employees on State transport services, the State Parliament has made the same wage deductions as it has imposed on other employees of the same grade not covered by Commonwealth awards. This is an important abdication of authority on the part of the Arbitration Court, under pressure of the argument that "those engaged in State transport services have no moral claim to escape a reduction or deduction equal in degree to that imposed generally upon other employees of the State in similar grades."

### III. SECESSION IN WESTERN AUSTRALIA

SINCE the electors of Western Australia voted on April 8, 1933, by a majority of nearly two to one, in favour of withdrawal from the Australian Commonwealth,\*

\* See *THE ROUND TABLE*, No. 91, June 1933, pp. 681-683, and No. 92, September 1933, pp. 905-907.

## Secession in Western Australia

further steps towards secession have been taken. In March the Government of Western Australia published *The Case of the People of Western Australia* "in support of their desire to withdraw from the Commonwealth of Australia established under the Commonwealth of Australia Constitution Act (Imperial), and that Western Australia be restored to its former status as a separate self-governing colony in the British Empire" (Government Printer, Perth); and the Western Australian Parliament has since adopted an Address to the King, and applications to the House of Lords and House of Commons. These documents ask that the Imperial Parliament should pass an Act to effectuate the withdrawal of Western Australia from the federation, and its restoration to its former position as a separate self-governing colony (but now with the status of a self-governing Dominion), and that this Act take effect without any legislative step by the Commonwealth of Australia.

Western Australia, a little later than the other States in approving of federation, became by proclamation under the Commonwealth of Australia Constitution Act a party to the union "in one indissoluble federal commonwealth"—a phrase nowhere quoted in the address or the applications or the supporting *Case*—to which the other five States had already agreed. It may seem strange that this case for secession from a union entered into by agreement of all the partners and solemnly declared to be indissoluble should be addressed not to Western Australia's co-partners, the people of the other States, but to the British Government and in a vague way to the people of the United Kingdom. But Western Australians feel that it is useless to appeal to the people of the eastern States, whom they regard as profiting by their grievances and who do not treat secession as a serious political movement. Moreover, secession would in any case demand an Act of the Imperial Parliament, if only to settle legal doubts whether the power of altering the constitution can apply to changes

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in membership of the union. But these considerations do not seem to justify an appeal by one State to the British Government and Parliament without any consultation with the other States. They certainly would not justify the British Parliament in taking any action without regard to the views held in other parts of Australia, and it can scarcely be believed that people in Western Australia seriously expect that to-day *ex parte* applications to London will produce any effect.

Of feeling for national unity, or appreciation of what federation has done for national thought, the *Case* gives small evidence. If it is to be taken as representative, this is one of its gravest features. Not only do the writers stress the sentimental ties with Great Britain, but they go out of their way to point out the qualities that in their view distinguish Western Australians from Australians of the eastern States. Everywhere in Australia there is less enthusiasm for federation than there was a generation ago ; but nowhere else, it may be asserted, would its benefits in the spheres of thought and ideas and in the power of joint action for common interests be rated so low.

Why is this ? In part, it is due to the distance of Western Australia—2,000 miles from the main centres of eastern Australia, with an uninhabited area between ; in part to economic difficulties caused by federation, of which the principal are the hindrance to local secondary industries caused by free trade with the eastern States, and the hindrance to primary industries caused by the tariff ; and in part to unwise and unfair legislative and administrative measures of the Commonwealth Parliament and Government.

In the early 'nineties "eastern Australia" was going through an experience of adversity the memory of which still remains with middle-aged and elderly people and which doubtless helped the eastern States in facing the crisis of the last few years. From such a chastening experience Western Australia escaped. When times were at their

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worst in the eastern colonies, a vista of boundless prosperity from the goldfields of Coolgardie and Kalgoorlie opened up before Western Australians. Thus they became accustomed to a standard of prosperity far higher than has been usual in other parts of Australia. This lasted until the war ; then, when the yield of gold declined, the settling of vast areas by wheat farmers promised an indefinite continuance of prosperity on a more certain basis. The State Government undertook many schemes of development, not all of them wisely conceived. When the price of wheat fell, and it was apparent that the schemes of settlement would involve vast losses for the Government, Western Australia found herself facing an adversity which her recent experiences had ill qualified her to meet. Probably the degree of adversity is no greater than in the eastern States, but Western Australians do not realise this, and so they have looked about for an explanation outside their own mistakes and outside the crisis that has overtaken the whole world.

The explanation they have found is in their membership of the federation and in its adverse effects on their industries.

The Commonwealth tariff is held up as the principal culprit. Four-fifths (compared with two-thirds for Australia as a whole) of the total production of the State is primary ; most of this is wheat, and 90 per cent. of the wheat is exported. A tariff that has benefited the manufacturers of the eastern States and has added to the costs of all production in every State is a particularly heavy burden to a State of predominantly primary production. But the case against the tariff and other federal legislation seems to be much overstated ; as, for instance, in a passage in the *Case*, in which it is asserted that the "calamitous condition" of the primary industries is definitely due to federation and federal policy and "cannot be attributed to any material extent to the world trade depression" (and this in face of figures which the *Case* itself gives of a

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fall in the export value of wheat from an average of 5s. 7½d. in the period 1917-18 to 1929-30 to an average of 2s. 9½d. for the last four seasons). A judgment on the validity of Western Australia's economic case against the Commonwealth may, however, await consideration of the findings of the Commonwealth Grants Commission, whose report has been published too late for notice in this number of **THE ROUND TABLE**.

The writers of the *Case* complain bitterly of encroachment on the spheres and resources of the States by federal legislation and by the decisions of the High Court. They complain also of the "cavalier attitude" of the Commonwealth to the States in matters of administration. The other States, especially the smaller ones, share these disabilities and grievances. Whatever the outcome of this campaign for secession, there will be many in other parts of Australia who will hope that at least it will bring about a contraction of the powers of the Commonwealth and a restraint in using its powers and applying its laws.

Australia.

June, 1934.

## SOUTH AFRICA: POLITICAL MELTING POT

SOUTH African politics are to-day in solution. The two great parties are passing through a process of "fusion," and, as is inevitable when two bodies, neither of them entirely homogeneous in composition, go into the melting pot, there is set up a process of disintegration beside the process of coalescence, new elements are thrown off, and, in the absence of a known chemical formula, the ultimate result is not easily predictable. By the end of this year South Africa will doubtless have a strong central party led by Generals Hertzog and Smuts, but the number, the nature and the strength of the opposing parties and groups that will by then have taken shape cannot as yet be foretold, save with the protection of a peradventure.

But first, at once for completeness of record and for the better appreciation of subsequent events, it is necessary to conclude the account of the Union's 1934 parliamentary session, which was commenced in last quarter's *ROUND TABLE*. As a whole the record of the session can be viewed by the Government with considerable satisfaction, and to that extent its hands have been strengthened in launching the move towards fusion. Coalition, it feels itself able to say after its first real parliamentary test, has been justified by results. But coalition is in the nature of things merely a temporary expedient. It is a junction, not a terminus. The choice at once arises between going on and going back. And where co-operation has yielded good fruit, it is surely better to go on to consolidate that co-operation than to go back to the futility and stagnation into which South African politics, on the basis of the old outworn party divisions, had fallen.

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The session was satisfactory to the Government in respect both of what was achieved and of the manner of the achievement. The Cabinet itself appeared to have forgotten entirely the heterogeneity of its origin, and its teamwork was both cordial and effective. Similar cordiality characterized the relations of members generally. Even in the discussion of matters, such as those dealt with in the Status Bills, which raised issues going to the root of the sentimental divisions of the past, the prevailing note was one of goodwill. It was significant that speeches coming from quarters, and couched in language, that in the past would have been dangerously provocative, gave rise to nothing more than ridicule, or were allowed to pass with the reflection that it was just "pretty Fanny's way." Moreover, the Government, with great advantage, made extended use of Select Committee procedure. Several Bills of major importance were referred to Select Committees prior to second reading, with the result that members were encouraged to feel that they had been given an effective part in the framing of legislation. In other ways, too, the relative freedom from party strife fostered the conception of Parliament as the supreme council of the nation.

It is also worthy of remark that, as the session advanced, General Smuts, to an ever increasing extent, won tacit recognition as the leader of the House. The Prime Minister was glad to leave the parliamentary field to a very large extent to his former rival, now his effectively co-operating colleague; the House generally accepted with readiness the leadership of one whose domestic prestige has undoubtedly never stood as high as it does to-day. One of the most interesting of the political trends of the last year has been the changed attitude towards General Smuts of his former Nationalist opponents—a change prompted by the appreciation of his willingness to take the second place in a Coalition Cabinet when he had an election victory and the Premiership within his grasp, and stimulated by the

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manner in which, it is admitted, he has subsequently "played the game."

That being the atmosphere of Parliament, the Government's legislative achievement was impressive. The constitutional legislation referred to in the last issue of *THE ROUND TABLE\** attracted most attention; it did not, however, prevent the admission to the statute-book of a very considerable economic and social programme, much of which could have been successfully undertaken only by a Coalition Government. The session was of outstanding importance at once in the number of Bills passed and in the range, taken together with the importance, of the subjects dealt with. An important and very timely Mineral Law Amendment Act should be of great value in stimulating the opening up of new avenues for mining development, while a Miners' Phthisis Amendment Act, bearing as it does on the dread disease which is the most painful part of the price paid by South Africa in the exploitation of its wealth of gold, indicated that the interests of the mine-workers had not been overlooked. At the same time, there was secured to the workers generally the advantage of one hundred per cent. increases in the rates of compensation for injury, though the pressure from the trade unions for the creation of a State compensation fund was resisted; and a new attack on the housing problem, which is far more serious than it should be in the towns of South Africa, in view of their youth, was launched by the passing of a Slums Bill. Constructive work of importance was also done for the rehabilitation and the confirmation of the Union's agricultural industry, which, as time goes on, must take over to an increasing extent the burden borne by the gold mines to-day in supporting its economic structure. Important changes of policy were initiated, and given legislative effect, in land settlement and irrigation; two considerable irrigation schemes were launched, one of them the boldest that South Africa has yet undertaken; and a Livestock and Meat

\* *THE ROUND TABLE*, No. 95, June 1934, pp. 662 *et seq.*

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Industries Bill was enacted which should be of considerable importance in the building up of a meat industry, so essential for the country's future.

The end of the session was almost immediately followed by the publication of a programme of principles, which had been agreed upon between General Hertzog and General Smuts as a basis upon which their parties might be expected to agree to unite. That programme is now before the country. It has been endorsed in principle by the central authorities of the two parties ; during the next six weeks it will be referred for approval to the provincial and Union congresses ; the next step will be the dissolution of the two parties, and the rise of a new party out of their ashes.

The document on which the two leaders have agreed is, perhaps, typical of its kind. It is for the most part dull, sententious, and platitudinous, and most of its clauses have attracted neither comment nor criticism. But perhaps all that is an indication of the narrowness of the limits to which the political differences of the two great parties have in recent years really shrunk. As a matter of fact, the controversies that have been elicited by a document purporting to compose those differences are almost entirely confined to two paragraphs in the section dealing with the constitutional position. These are, perhaps, of sufficient importance to necessitate quotation in full :

*Section 2(c).*—The maintenance is affirmed of the existing relationship between the Union and the British Commonwealth of Nations and co-operation with its members, subject, however, to there being no derogation from the status of the Union, and no assumption of external obligations in conflict with its interests.

*Section 2(d).*—While the party stands for the maintenance of the present constitutional position, no one will be denied the right to express his individual opinion about or advocate his honest convictions in connection with any change in our form of government.

The paragraphs quoted bear very clearly upon themselves the marks of compromise, of give and take. In the first of them, the South African party has done the taking.

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Even allowing for the proviso, the affirmation of the British connection and of Commonwealth co-operation is clear and satisfying. It is an interesting fact that it is at once more definite and more comprehensive than any similar affirmation ever made in a programme of principles issued by the South African party. There has always been a certain hesitancy in this connection in that party's written professions of faith, inspired doubtless by the desire to meet the Nationalist criticism that it was disposed to set Empire before country. It is interesting that those same Nationalists who launched that criticism in the past should be disposed to-day to enter a party that is to make an affirmation in the terms quoted.

To some extent, of course, that is accounted for by the concession to Nationalist sentiment that Section 2(d) represents. That section has come to be known as the "republican propaganda clause." True, it gives equal freedom for the advocacy of individual opinions in respect of any form of constitutional change, whether it be towards fascism or communism, towards closer imperial union or republicanism—in form indeed it may be described as no more than an affirmation of one of the essential liberties of the individual citizen—yet everyone knows that its purpose is to build a bridge into the new party for those good republicans of the past, who, for all their contentment with the present position of South Africa in relation to the British Commonwealth, are unwilling publicly to abjure the cause for which they once fought.

It is significant that, in addition to the affirmation of the British connection in Section 2(c), it has been thought fitting to preface the concession of the right to freedom of individual opinion expressed in Section 2(d) by a governing clause emphasizing that the party as a party stands for the maintenance of the present constitutional position. This perhaps implies a confusion of thought, in that it is difficult in theory, and may be more difficult still in practice, to draw a line between the individual *qua* party-member

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and the individual *qua* citizen advocating a constitutional change that the party is pledged to oppose. Yet in these matters it is the spirit that matters—the letter killeth, the spirit giveth life—and the essential thing is that for the majority of Nationalists to-day, and indeed for the great majority of those of them who are also ex-republicans, republicanism is a dead issue, commanding no more than a sentimental allegiance ; and that being so, willingness to respect that sentiment is probably the best means of avoiding the revival of the issue. It is perhaps not an incorrect method of describing Section 2(d) to say that it puts republicanism into its proper place in South African politics, by regarding it as an academic question on which it is possible for men to agree cheerfully to differ without any impairment of essential co-operation.

This indeed would appear to be the prevailing view taken in the Union about this “republican propaganda clause.” The great mass of the South African party, English-speaking and Afrikaans-speaking, refuses to be alarmed by it, and its Head Committee endorsed the programme of principles with but one dissentient vote. The majority of the Nationalists, for all their republican and secessionist aspirations of the past, are willing to accept Sections 2(c) and 2(d) taken together as a fair compromise. A considerable section of that party, however, led by Dr. Malan, is standing out against the fusion basis, one of the main reasons given being just this, that Section 2(d) reduces republicanism to the status of an academic question, beyond the range of practical politics. At the meeting of the Federal Council of the Nationalist party this section constituted a substantial minority representing just over one-third of the votes. There is doubtless some significance in the fact that the Nationalist minority comes mainly from the Cape, where republicanism never has been at home. While those who fought to the last ditch for the republics in the Anglo-Boer War are to-day for the most part prepared to follow General Hertzog, the present

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champions of republicanism are to be found mainly among those who stood outside that conflict, or have grown up since it terminated, and to whom it would appear to appeal primarily as a party political cry, useful for the furtherance of other issues and the prosecution of other aims.

It seems clear, then, that Dr. Malan and his followers are to stand outside the new party and go into opposition, so that, despite the temporary reconciliation between the Prime Minister and Dr. Malan referred to last quarter,\* the position in the main is as it was described in the March issue of *THE ROUND TABLE*.† In one respect, however, there has been an important change. At the beginning of the year it seemed possible that General Smuts would carry virtually his whole party with him into fusion. Since then, however, there has taken place the Hertzog-Malan reconciliation, which stimulated among many South African party members and supporters a certain suspicion of the Prime Minister's *bona fides*, and in the atmosphere thus created there were launched the Status Bills with their attack, real or imagined, on distinctively British sentiments. In the light of these events the fact that General Smuts secured the almost unanimous support of his Head Committee for fusion was a remarkable tribute to his leadership ; it seems certain that his leadership will also receive overwhelming endorsement at his party congresses.

Even so, a considerable amount of disaffection remains among the rank and file of his supporters, more especially in those parts of the country, notably Natal and the border districts of the Cape Province, which are served by newspapers that have set themselves to stimulate it. It is in those areas too that there chiefly flourishes an organisation called the "New Guard," for the protection of "British interests," which differs from movements of the shirt variety only in the fact that it has not yet actually selected

\* *THE ROUND TABLE*, No. 95, June 1934, pp. 663-4.

† *THE ROUND TABLE*, No. 94, March 1934, pp. 426 *et seq.*

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a particular colour of shirt for itself. It would undoubtedly be possible to secure, as one of the by-products of fusion, the establishment of a British party which would draw its inspiration from the opposition to the Status Bills and the "republican propaganda clause." The only possible leader of such a party would be Colonel Stallard, who led the attack in Parliament on the Status Bills. Colonel Stallard is, however, at heart too good a Britisher really to be a racialist ; he could not be happy in leading a purely racial party such as this would be. Moreover, he has the defects of his qualities, and is not of the type that can keep a following united for any length of time. It is by no means clear that he is willing to launch such a movement. If he does, he will attract only a section of the old Unionist party, and it is difficult to foresee such a movement assuming more than passing importance in South African politics.

There are then in prospect, as by-products of fusion, probably two parties who will oppose the new "fused" party from opposite angles, and will thus to a large extent neutralise each other. There are, however, other elements, mainly in the existing Nationalist party, that are likely also to be dislodged. It is inevitable that, with a strong Government in power, disaffection should spread among those elements in the economically discontented sections of the community, the importance of whose votes, at a time when parties were equally divided, enabled them to extort concessions that are no longer so easily obtainable.

There is first of all the Afrikaans-speaking working man, whose race-consciousness has hitherto prevailed over his class-consciousness, and who has voted Nationalist in preference to allying himself with a Labour party which, in origin and in conception, was British. He will almost certainly drift away from the new united party. It is, however, by no means clear where he will drift. Labour has been trying, recently with some measure of encouragement, to give itself an Afrikaans orientation. Dr. Malan is quite clearly out to woo this element.

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Then too there is the, as always, politically incalculable Mr. Tielman Roos, who recently, in a fit of pique against Generals Hertzog and Smuts, went back on his promise to support the united party, and anticipated the publication of its programme of principles by launching a new party of his own, known as the Central party. Mr. Roos's opportunism makes him always a factor to be reckoned with. So far, however, his venture has not been an outstanding success. What success he has achieved has been mainly among another disaffected element in the community, the maize-farmers, whom the Government had offended by refusing to agree to institute a system of compulsory co-operation for the forcing up of maize prices—at the expense, of course, of the consumer. It would seem, however, that this is a passing phase, and that Mr. Roos will be driven to find another foundation, if he is to establish for himself a position of importance on the political stage. That foundation he may well find in the "have-nots" of the rural areas, the landless and tenant classes, who make up what are generally termed the "poor whites."

So then it would seem that South Africa is threatened with a spate of small parties alongside its big new united party, no one of them strong enough to hold out the hope of becoming an alternative Government for some time to come. No doubt there will be many moves on the political chessboard. It is probable that Mr. Roos will come to a working agreement with Labour, possible that he will be driven to co-operate with his old antagonist in the Nationalist party, Dr. Malan. One fact, however, would appear to be as certain as political prophecy can be—that South Africa may look forward to having a strong Government for several years, or at least for as long as Generals Hertzog and Smuts, both or either, remain on the political stage.

South Africa,  
July, 1934.

## NEW ZEALAND : THE DAIRY FARMER AND THE QUOTA

### I. THE GOVERNMENT AND THE DAIRY BOARD

After months of desultory argument between the Government and the leaders of the dairy industry, the former has decided to assume sole responsibility for the negotiations with the British Government on the vexed question of the exports of dairy produce to Great Britain.

The Dairy Export Control Board was set up by Parliament in 1923—as an outcome of the short depression of the early 'twenties—to have full control of the marketing and export of dairy produce. On the whole, it has functioned satisfactorily ; that is to say, while times were good and the British market was able to absorb all of our exportable surplus. Its only noteworthy reversal of policy occurred in 1926-7, when for a few months it attempted to fix the selling price of butter on the English market, and then reverted to partial control. On the other hand, it has achieved distinctly favourable results in the elimination of waste and overlapping in marketing. The Board consists of twelve members, of whom two only are appointed to represent the Government. It cannot, therefore, be said that the State has any undue influence in its deliberations and policy.

When it was suggested by the New Zealand delegates at the Ottawa Conference that imports of foreign produce into Great Britain should be restricted, the New Zealand Dairy Control Board was not prepared for the corollary,

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the quota on imports from New Zealand, and when that was mooted some months later the Board was not at all inclined to acquiesce. The Board had been strongly represented by Mr. W. Goodfellow in the entourage of the New Zealand delegation at Ottawa. Quotas on dairy produce were not referred to in the agreements, and none of the delegation seems to have been prepared for the raising of this question as Great Britain's new agricultural policy developed.

Faced with a steady expansion of the output in New Zealand, and having discovered no new market in which to dispose of the surplus, the Board has been unable to make any suggestion to its constituents regarding the course they should take to market this butter. In the midst of a depression affecting the whole world, it can hardly be criticised for its failure to find new markets; and the flooding of the existing market in Great Britain by stocks suddenly shut out of European countries, and by additional supplies forwarded under subsidies, both from European butter producing countries and from Australia, was a development it could hardly have foreseen and provided against. The official estimate of our total butter production for the current season is 168,500 tons, an increase of 9.5 per cent. over the season 1932-3, and 22.6 per cent. over 1931-2. The home consumption is less than one-fifth of the output.

The average price received for butter-fat by the New Zealand factories last season was 8.93d. per pound, as compared with 11.03d. per pound in the preceding season. For the current season, it is estimated at probably 8.00d. The difficulty facing many New Zealand farmers, in view of the great drop in the prices of their produce, lies in the fact that they bought their land when the average price per pound was more like the 28.10d. that ruled in the season of 1920-1, or the 18.48d. that ruled in 1928-9. Later on, the low prices that have been ruling may be expected to restrict production, but of that there is no sign yet.

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When Great Britain began to talk of quota regulation, the producers here turned naturally to see if there was any way of bargaining for free admission—anything that New Zealand could offer in return for a continued open market in Great Britain. Organisations were promoted to foster the idea that a general reduction of New Zealand tariffs in favour of Great Britain might lead the British Government to waive altogether the proposed quota restrictions on New Zealand produce. Much propaganda was put before the country, and the Tariff Commission, which was considering a revision of customs duties, was bombarded with carefully studied representations in favour of an all-round reduction of duties on British imports. The possibility of bargaining for an open market was so strongly canvassed that in October the New Zealand Government cabled the following enquiry to the Secretary of State for the Dominions :

There is a widespread belief on the part of producers in New Zealand that if we undertook a drastic reduction or removal of New Zealand's protective tariff on United Kingdom goods, His Majesty's Government in the United Kingdom would guarantee continuance of unrestricted entry of New Zealand primary products. His Majesty's Government in New Zealand would be grateful if His Majesty's Government in the United Kingdom would indicate their attitude towards this suggestion.

Mr. Thomas's reply was to the effect that the suggestion would involve a modification of British policy, and could hardly be considered with reference to New Zealand alone ; " nor, we think, could an examination of such a question take place on the basis of a suggestion put forward by particular trade interests."

It became clear early in March that the Government must sooner or later take a hand in the discussion. The Minister of Finance (Rt. Hon. J. G. Coates), in a pamphlet published in 1933, had suggested to the dairy industry that it should resign itself to the quota idea, and lay its plans for the future accordingly. The advice was not

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at all palatable. Weeks passed with the Board still at sixes and sevens, the plight of heavily mortgaged dairy farmers not a whit more hopeful, and the Government sensing more and more clearly its responsibility for taking a hand in the negotiations. On March 13 the Government summoned representatives of the Dairy Board and of other interests concerned to a private conference, and asked them for concrete suggestions. The conference proposed that a subsidy should be given on butter-fat, and that a Royal Commission should be set up to inquire into the whole position.\* The Government demurred to the subsidy proposal on the grounds that there was no money available for the purpose, that the industry was already over-producing, and that a subsidy on butter-fat would be resented in Great Britain. Thereupon Mr. Goodfellow, the *deus ex machina* of the dairy industry, came out as a critic of the Government's policy or lack of policy. Without excusing the Dairy Control Board, he accused the Government of "having shown an almost callous disregard for our only worth-while customer." At the same time he put forward, on his own initiative, a series of proposals for the future, including reduction of tariffs in favour of British goods; reduction of the high exchange rate (with a countervailing subsidy to soften the fall for the primary producers); the reorganisation of the Dairy Control Board; the "patting" of butter for the British market; and the opening up of new markets in the Far East.

Early in April another conference was held in Wellington between the Dairy Control Board and the leading members of the Government. What occurred at it was not disclosed at the time, and was a matter of surmise for a week or two. According to the *New Zealand Herald* (April 18) the Prime Minister (Rt. Hon. G. W. Forbes) and the Minister of Finance pressed hard for the acceptance of the quota by the New Zealand dairy industry. The Board had previously been solidly against the quota, preferring to fight

\* See *THE ROUND TABLE*, No. 95, June, 1934, p. 679.

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out the issue on a free market on the basis of quality and price. Accordingly it stubbornly resisted, but eventually by a majority of one vote it resolved that :

If the Government can see no other way of raising prices the Board reluctantly agrees to a quantitative restriction.

One of the most stalwart opponents of the quota on the Board (Mr. Dynes Fulton) was at the moment in London. But for his absence, the favourable vote would probably never have been reached. Though the Board was still evenly divided on the question it seems to have been taken for granted that the decision thus recorded gave the Government a mandate to proceed, and that the next step would be the setting up of a small supreme council to take control of the negotiations.

Meanwhile the publication of the cablegrams between the Government and the Dominions Office gave rise to a controversy about the supposed "offer" of tariff reduction by New Zealand. The party use that had been made of this supposed offer in the British press was to some extent echoed in New Zealand, and was allowed to obscure the real question at issue. The press, however, almost unanimously agreed that no offer had been made. Obviously while the matter was being hotly contested before a Royal Commission, and while the whole strength of the secondary industries was being exerted against any reduction in the tariff, the Government could not afford to make such an offer. Mr. Forbes explained that he had sent the cablegram, stating a purely hypothetical case, for the sole purpose of obtaining an authoritative contradiction of the assertion frequently made that the offer by New Zealand of a free market for British manufactures would be answered by unrestricted entry for our products into Great Britain. What really emerged from the exchange of telegrams was a broad hint from the British Government that the question was one for discussion between Governments and not for sectional bargaining. Nobody can well

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cavil at the interpretation given by the *Evening Post* (April 2) :

It is for the Dominion people, as represented by the Government, to say if they will trade secondary industries' protection for immunity from the quota for dairy producers. The farmers cannot say that, for they would be selling something which they do not own. Until the Government is prepared to say whether it will sanction such a bargain it is wholly idle for the British Government to consider it.

Up to this point the Government seems to have confined itself to attempting to induce the Dairy Control Board to take the responsibility for formulating practical proposals which might justify a suggestion of the conference that a joint delegation should go to London.

On April 12, when the Dairy Board again met the Cabinet, the position had changed somewhat, since, to quote Mr. Forbes, "the British Government had indicated that it had made other arrangements apart from the quota. The cables received stated definitely that the British Government was not troubled about the quota. Because of this announcement the quota question need not be considered."\* The Cabinet considered the position during the next few days, and on April 19 Mr. Forbes made an official statement in which he said :—

The New Zealand Government have decided to assume full responsibility for the problem and all necessary steps will be taken in accordance with this decision. In the face of the crisis it is not possible to act effectively with divided and uncertain control.

Continuing, Mr. Forbes said it had become apparent that the refusal of the dairy industry to negotiate along the lines of regulation of supplies had given rise to a straining of the hitherto friendly relations between New Zealand and a large section of the British public, and to a definite loss of goodwill toward New Zealand and its export produce.

\* Press Association, April 15.

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Mr. Forbes announced at the same time the Government's intention to set up a Royal Commission to ascertain the position and the needs of the industry. Though New Zealand has had a surfeit of Royal Commissions, this announcement was received with remarkable unanimity of approval. It was quite clear that the Dairy Board saw no way out of the impasse at an important crisis for the industry. Moreover, the country as a whole is interested out of all proportion to the two government members on a board of twelve.

This change in the situation was hailed with relief by the country at large, and not least by those engaged in the dairy industry. Discussing the position in a district of small farms (Papakura) on April 30, Mr. Coates said :—

On all occasions when Great Britain makes a special request New Zealand should take it seriously and discuss it. This has not been done. The Dairy Board has been divided in its opinions. A fifty-fifty division of opinion would lead to ruin. To-day we are facing a crisis and there is no alternative but for the Government to make a decision. It is essential to have the co-operation of the industry. First of all the matter requires leadership.

Mr. Coates warned his audience against bringing about a breach between British and New Zealand agriculturists. The quotas were there and they could not fight them. By far the best plan for New Zealand was to endeavour to work with Great Britain on quota regulation.

On the other hand it is fair to quote the one member of the Dairy Control Board (Mr. W. Grounds) who has made a public defence of that body :—

For more than a year we have been urging that a national crisis was upon us ; that any restriction of imports to Great Britain cut right across the whole fabric of our economic life and would necessitate a complete review of New Zealand's settled national policy of the last fifty years. Simultaneously we have urged that it would seriously imperil our national solvency, and consequently should only be contemplated as a last resource.\*

\* *Dominion*, April 23.

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The New Zealand Government forthwith apprised the British Government that "it would be the channel through which future negotiations would be conducted," and invited suggestions from Great Britain as to the course of proceedings. Meanwhile no sooner was a Royal Commission mooted than from all over the country vigorous representations were made on behalf of embarrassed dairy farmers that the question of farm mortgages should be fully enquired into at the same time. Subsidies and bounties having been whispered and frowned upon by a public now coldly hostile to further concessions, and the British market being no longer capable of absorbing unlimited supplies, it was clearly necessary to turn elsewhere to find relief from an overhead burden that was accepted more or less gaily when prices of produce were good and land "values" high.

The order of reference of the Royal Commission to investigate the dairying industry (gazetted on May 3) empowers the Commission to enquire into the condition of the industry in New Zealand and "all such matters incidental or relevant thereto as it may think proper," to promote the interests of persons engaged in the industry and the general economic welfare of New Zealand. Specifically the Commission is to enquire into :—

- (1) The relationship between production in New Zealand and demand in New Zealand or in existing overseas markets ;
- (2) The extension of markets or the establishment of new ones ;
- (3) "The desirability or otherwise of varying the proportions existing between the different classes of manufactured dairy produce produced for local or overseas markets" ;
- (4) The utilisation of raw dairy products for purposes other than the manufacture of butter and cheese ;
- (5) The desirability of reducing the output of dairy produce by diverting to other purposes lands now used or intended to be used for dairy farming ;
- (6) Improvements in methods of production and manufacture ;
- (7) "The sufficiency or otherwise of the monetary returns for the use of capital or labour received by persons directly or indirectly engaged in the industry" ;

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- (8) The reduction of charges, in the interest of all concerned in the industry ;
- (9) The desirability or otherwise of affording further assistance for the maintenance and reasonable development of the industry, and the means by which any such assistance can best be afforded ;
- (10) The best method of securing " proper co-operation between persons engaged in New Zealand " in the industry " and persons similarly engaged elsewhere " ;
- (11) The promotion of increased consumption in New Zealand or elsewhere of raw or manufactured dairy produce ;
- (12) The adequacy of the Dairy Industry Act, 1908, and the Dairy Produce Export Control Act, 1903.

### II. A COMMONWEALTH PROBLEM

MEANWHILE the question of trade with Great Britain was given an interesting turn by the arrival in New Zealand (*en route* for England) of the Rt. Hon. S. M. Bruce, High Commissioner for Australia. He was met at Auckland on May 4 by the Prime Minister, the Minister of Finance, and the Minister of Trade and Customs (Hon. R. Masters), and spent most of the few hours at his disposal in conference with them. In a speech Mr. Bruce said :—

Co-operation with Great Britain is the logical solution of our difficulties. We need not fear the consequences. In some quarters in Australia, I know, there is an impression that Great Britain is out to squeeze the primary producers of the Dominions. That is a fallacy. It must be remembered that the expansion of British agriculture cannot go beyond certain well-defined limits. The country cannot be turned into one large intensely cultivated farm. We must approach the problem on the basis that the British farmer will first be assured of his interest in the home market, and then the Dominions will receive preferential treatment over foreign countries.

After Mr. Bruce's departure an official statement was issued in which it was remarked :—

Mr. Bruce gave the New Zealand Minister a first-hand account of recent developments. . . . It bore out and amplified the conclusions

## A Commonwealth Problem

they themselves had formed as a result of personal discussion and contacts with the British Government. . . . The onrush into the markets of the United Kingdom of the world's surplus products has led her to adopt new and experimental courses which were a direct concern to and called for some co-operation by Empire supplying countries. . . . It was agreed by all the Ministers that any policy that looked to an improvement of market conditions must be based on full co-operation between overseas producers and farmers in the United Kingdom. The removing of any misunderstanding of their common interests was regarded as the most important part of the task ahead.

The High Commissioners for Australia and New Zealand will jointly place the facts before the British Government and carry on the discussion there, in close touch with the Dominion Governments.

So far so good. The unanimity with which the dairy farmers approved the Royal Commission is an indication, at any rate, of more practical views on the economic depression. Until quite recently landowners have cherished the hope that the markets would recover their old level. That the dairy farmers as a whole have definitely abandoned that hope is evident from the shower of representations that fell upon the Prime Minister urging that the Royal Commission should investigate the farm mortgage problem in all its ramifications. Mr. Forbes explicitly assured a deputation of four hundred dairy farmers at Eltham that the matter was fully provided for; but he warned the farmers that there were other mortgages besides those on farms, and that it might not be possible to deal with them separately—a very timely warning.

The most interesting feature of this whole discussion is the frank, though tardy, recognition on the part of the producers of New Zealand that the British farmer has the first claim on the home market in Great Britain. Mr. Coates, speaking at Papakura on April 30, warned New Zealanders that economic conditions were changing in Great Britain, and that a phase of trading by agreements simply had to be gone through. As for himself, he admitted

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that he was in favour of planning : "I have been accused of planning. I definitely am a planner. For the life of me I cannot see how in the present economic conditions we will get anywhere unless we have a plan."

The economic discussion has received more than one very thoughtful and useful contribution from His Excellency the Governor-General. Lord Bledisloe has not hesitated to step nearer to debatable ground than is usual in one holding his high office. His undoubted authority on agricultural matters in Great Britain, and the keen and sympathetic interest that he has taken in every phase of New Zealand agriculture, have been sufficient to excuse any suggestion of political activity and to give his opinions a cordial welcome. Besides frequent utterances on scientific research in agriculture, His Excellency at Christchurch last year sounded a wholesome warning against the revival of land speculation. He has also taken New Zealand stockbreeders to task on several occasions for their refusal, from a traditional fear of foot-and-mouth disease, to have the quarantine regulations relaxed so as to facilitate the importation of much-needed pedigree cattle to improve our herds. In a speech at Auckland on May 31 His Excellency threw out an interesting suggestion of an Empire *Zollverein*. He said :—

Agrarian protection has not always, or indeed mainly, been designed to promote local production, but rather to improve national balances of trade or of international payments, and to maintain the peasant population as a bulwark against communism and a reservoir of man-power in the event of war. The rise in commodity prices inevitably raises the internal costs of industrial production or lowers the standards of living by dint of reduced consumption. Thus, while the low price of butter in Great Britain has increased its per capita consumption by 40 per cent. over the 1927 level, there has been a corresponding decrease of consumption over the greater part of industrial Europe. The effect upon health and physical efficiency of inadequate supplies of essential human foods is a problem deserving close scientific investigation and indeed monetary calculation, especially in those countries where there is an expensive public system of health insurance and hospital service,

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the scope of which may be greatly amplified by malnutrition, or of education, the efficacy of which may be marred by the same cause.

His Excellency stressed the danger of a policy of national self-sufficiency, which was unattainable in New Zealand and Great Britain. An important factor which would strengthen the trend towards the adoption of some group system was the necessity for all civilised nations to maintain a due standard of living by providing adequate remuneration for efficient work, together with such social amenities and cultural agencies as civilisation insistently and justifiably demands.

As long as the products of low paid labour in any part of the world (and many of its products are of indisputably high quality) are brought into unrestricted competition with those of workpeople of our own and kindred races, so long will our standard of living and social progress be threatened. An economic *Zollverein* of the group description will without doubt come to be favoured by many statesmen and social reformers, as calculated to arrest this downward trend of the standard of life at least within their own environment.

### III. THE YEAR'S ACCOUNTS

IN a statement at Auckland Mr. Coates said that the budget deficit had been reduced to about one-third of what had been anticipated when the budget was brought down.

The deficiency has been defined as approximately £709,000, a result which must be regarded as very satisfactory, and as a further indication that the economic position of the Dominion is improving. The shortage contemplated in the budget was £2,094,000, but arising out of the facts that the revenue exceeded expectations to the extent of £1,200,000, and that sustained economy in all avenues of expenditure had resulted in savings totalling approximately £250,000, the deficiency has been reduced to £709,000.

Taxation brought in £17,059,829, interest £2,863,856, and other receipts £3,569,063, making a total of

**New Zealand : Dairy Farmer and the Quota £23,492,748.** The improvement in interest receipts was almost entirely due to the increased net railway revenue.

Full details of the accounts for the year ended March 31 show the following changes in the receipts between the last two years :—

		1932-3	1933-4
		£	£
Customs .. .. .. ..		6,131,414	6,485,013
Income Tax .. .. .. ..		3,556,774	2,961,243
Stamp and Death Duties .. .. .. ..		2,999,278	2,712,855
Sales Tax .. .. .. ..		38,253	1,847,333
Highways .. .. .. ..		1,680,604	1,703,527
Railways .. .. .. ..		850,544	1,085,000
Beer Duty .. .. .. ..		654,227	655,464
Land Tax .. .. .. ..		498,916	498,977
Public Debt Redemption .. .. .. ..		620,088	629,496
Post and Telegraph .. .. .. ..		546,000	553,000
Post and Telegraph (profits) .. .. .. ..		456,000	154,387
From Reserves .. .. .. ..		2,500,000	2,000,000

The debt services called for £13,446,400, of which £11,657,915 was interest, and £1,392,261 repayments of debt. There is £100,000 as our contribution to the Singapore naval base. The unemployment levy amounted to £428,549 (as against £429,003 in the previous year). The emergency unemployment charge of 1s. in the pound, which is the main source of the Unemployment Board's revenue, yielded £3,998,317.

A pleasing feature of the present position, which does not show directly in the finance accounts, is the increased revenue accruing to the country from the sale of the season's wool clip. The gross return from this source to the end of April was £10,241,041, which is the best result since 1928-9, and is almost equal to the aggregate returns from wool for the previous three seasons together. That the wool market has returned to its old healthy condition is apparent from the fact that out of 676,550 bales offered during the season 633,553 were sold.

Both imports and exports show a healthy expansion. The recorded values for the past five years (to the

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end of the production year, June 30, in each case) are as follows:—

			Exports	Imports
			£	£
1929-30	..	..	39,325,637	42,025,086
1930-31	..	..	30,062,610	30,035,253
1931-32	..	..	29,825,188	19,507,625
1932-33*	..	..	31,620,832	18,877,581
1933-34* (ten months)	..	..	41,136,000	22,631,000

\* Values for these years expressed in New Zealand currency.

The financial operations of local bodies in New Zealand have caused considerable uneasiness since the depression drew attention to these matters. In 1921 the gross debt of all local authorities was £32,000,000. Thereafter it grew steadily at the rate of about £5,000,000 a year until in 1927 it aggregated £64,000,000. In that year there was established a long overdue Local Government Loans Board, which, helped no doubt by the depression, at once put a curb upon borrowing. At April 1, 1933, the total amount was £73,912,122 (of which £51,179,123 was held in New Zealand). Under the restrictions exercised by the Local Government Loans Board the amount of borrowing for new works has gradually been reduced from £3,866,551 in 1928-9 to £917,560 in 1933-4. Last year, for the first time, a reduction was shown in the gross amount of local body indebtedness.

Under the Local Authorities Interest Reduction and Loans Conversion Act, 1932-3, which has only been in operation for a year, existing loans to the amount of £28,303,304 have been dealt with. A very desirable feature of the new conversion scheme is the fact that moneys are no longer allowed to accumulate in the sinking fund until the maturity of the loan. Debentures are now redeemed each year from the sinking fund to an amount at least equivalent to the payments into the fund. This eliminates the danger of loss from investment of the sinking

New Zealand : Dairy Farmer and the Quota fund, and ensures an even flow of money into the hands of bondholders for re-investment. The maximum rate at which major local bodies may now raise loans is fixed at  $3\frac{3}{4}$  per cent. and for smaller bodies at 4 per cent. The maximum has been recently reduced to those levels in order to accord with the high price of gilt-edged securities.

#### IV. TARIFFS AND EXCHANGE

THE report of the Tariff Commission is still under consideration by the Government, but so far there is no hint of the direction that their proposals will take. The varying points of view of primary producers, of local manufacturers and of importers of British manufactures were very capably and exhaustively presented before the Commission. In his most recent utterance (at Dunedin on May 26) the Minister of Customs (Mr. Coates) said that the Commission had been set up under the terms of the agreement entered into at Ottawa. A definite undertaking had been given to investigate tariff matters, but New Zealand was not otherwise committed. If there had been any delay in setting up the Commission it was due to reasons over which the Government had no control. The agents of United Kingdom manufacturers had been responsible. Mr. Coates denied vigorously that the high exchange had caused a diversion of trade from Great Britain to Australia. The fact was that the depreciation of Australian currency had been responsible. It was natural that New Zealand should purchase there if Australia could quote cheaper prices, but such diversion as there had been had occurred before the increase in the exchange rate.

The agitation against the continuance of the high exchange has not, however, abated. The agitators seem to rest certain hopes upon the opening of the Reserve Bank on August 1, but the Government has made it clear that even if the present premium of £24 17s. 6d. per £100

## Tariffs and Exchange

sterling is revised, a reduction will only be gradual.\* The disposal of the accumulated exchange surplus in London has been a matter of considerable discussion. When the financial figures for the year appeared on June 1, Mr. Coates said that the amount of £1,797,000 charged against the budget for the year represented the net cost to the Consolidated Fund of purchasing £8,500,000 for normal requirements in London and Australia. The total amount of sterling purchased under the Banks Indemnity (Exchange) Act, during the financial year, amounted to £26,684,000, including £8,500,000 for the normal requirements just referred to. The surplus of sterling taken over thus amounted to £18,184,000. Adding in £1,910,000 of surplus sterling taken over during the previous financial year, the total amount of surplus sterling held at March 31 last was £20,094,000.

Mr. L. Lefèvaux, the first Governor of the Reserve Bank, arrived in New Zealand in May, and during that month the directorate of the Bank was appointed. Of the seven directors, three represent the State and four the shareholders of the Bank. Of these four, two are chosen from representatives of the primary industries, and two from manufacturing and commercial interests. The Secretary of the Treasury is a member of the board, but has no vote. Mr. Lefèvaux has been at pains since his arrival to make it clear that he has quite severed his connection with the Bank of England, adding that of course the Bank of England would be the agent in London of the Reserve Bank, an arrangement that would be of very great value. The relations between the Reserve Bank and the trading banks are not yet clear. It is said that the Reserve Bank will

\* In a statement issued on July 18, the Reserve Bank declared that it would aim at retaining the present exchange rate for a long period unless a marked alteration occurred in existing conditions. In order to assist in achieving this stability, the Bank would be prepared to enter into forward exchange contracts with trading banks, but did not wish to compete for exchange business in the ordinary course, provided adequate facilities were available elsewhere.—Editor.

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take over government accounts, and it will also, of course, control the note issue, the trading banks obtaining their requirements of notes from the central bank. The Chairman of the Bank of New Zealand (Sir Harold Beauchamp) stated at the annual meeting on June 15 that his bank will have to find about £7,000,000 to transfer by way of deposit to the Reserve Bank, this being made up of 7 per cent. on the bank's free deposits, and 3 per cent. on fixed deposits. Of this sum, £1,750,000 will be transferred in gold from the vaults of the Bank of New Zealand to the Reserve Bank, and the balance by the repayment of treasury bills out of funds to be remitted from London to the Reserve Bank. The trading banks expressed strong opposition to the decision that the gold held by them should be handed over to the Reserve Bank in exchange for notes of an equivalent nominal amount, *i.e.*, at half its market value.

The function of the Reserve Bank in regard to exchange was outlined in a statement presented to the Parliamentary Monetary Commission on April 17 by the Secretary of the Treasury and the second assistant Secretary. According to them, the surplus sterling accumulated in the hands of the Government will be handed over to the Reserve Bank, which must give notes for it in New Zealand. These New Zealand resources can then be applied to paying off the treasury bills issued to the trading banks in payment for sterling. These operations will lighten the burden on the Government, and will so increase the sterling reserve of the Reserve Bank that if necessary or desirable it will be in a position to promote, or itself bring about, a considerable increase in the volume of credit in New Zealand. The large amount of London funds, the statement added, will in no way be a burden to the Reserve Bank, however long it may hold them, for it will simply have to give its own notes in payment, and these will not bear interest. In fact, the Bank will derive some revenue from the investment of the funds in London. This, however, is only incidental to the use of the funds as a basis for the control of currency and

## Government by Commission

credit in New Zealand. The Bank has little interest in the making of profits, the great bulk of which will go to the Government.

### V. GOVERNMENT BY COMMISSION

THE tendency to govern by boards and commissions, or to evade the solution of difficult problems by this means, is as active as ever. At the moment of writing there are four Royal Commissions in existence in New Zealand, and two parliamentary committees on the point of finishing their work. One committee, composed entirely of members of Parliament, but not a select committee since it was appointed during the recess, considered the film and picture-showing industry in New Zealand, and has presented a report recommending certain changes in the system of hiring and royalties. This is mainly interesting for its vindication of that much-abused official, the film censor. The other parliamentary committee has been considering monetary and currency questions. When it was appointed there was an uneasy feeling that the Government, having already decided the question of establishing the Reserve Bank, had exercised a playful perversity in nominating to the committee members who had taken no particular interest in the various panaceas offered for escaping our debts without paying them.

Of the Royal Commissions, great interest centres in the one that is considering (under the presidency of Mr. Justice Smith) certain alleged irregularities in the administration of native funds on land settlement schemes under the authority of a recent Act of Parliament. A good deal of racial feeling appears to have been engendered among the Maori by several critical debates in Parliament. The report of this Commission is awaited in the expectation that it will be a document of first importance in connection with the future of the Maori race. A Royal Commission on company law has been the subject of some litigation.

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Acting on representations, the Government, on January 17, set up this Commission to enquire into financial and other matters affecting the control of companies with a view to the modification of the law. It had no sooner commenced its investigations than two companies, Timberlands Wood-pulp, Limited, and Tung Oil Securities, Limited, initiated proceedings in the form of an application for a writ prohibiting the Commission from acting, on the grounds of bias and financial interest. They also incidentally challenged the right of the Governor-General to set up a Commission at all on the grounds that there was no proposed legislation on the subject before Parliament, and that therefore the investigation was a mere "fishing expedition." The application was dismissed by the Full Court on May 1, on the ground that the Commission exercised no judicial function, and was not a judicial tribunal in any legal sense.

The other two Commissions, the Tariff Commission and the Dairy Industry Commission, have already been referred to.

## VI. DEFENCE

AS the outcome, it is understood, of communications with the British Government, New Zealand is taking the first step towards restoring the strength and efficiency of the defence forces. It will be remembered that shortly after the accession to office of the Liberal party in 1929, the compulsory training provisions of the New Zealand Defence Act were repealed. This step, which was dictated by political reasons, but justified by the demands of economy, was very strongly opposed by the Reform party, which held that the compulsory training clauses should be suspended rather than repealed. For the last few years our defences have been manned on the old voluntary basis. The strength of the establishment has naturally been reduced, but not lower than the financial conditions of the Dominion demanded. The Minister of Defence (Hon. J. G. Cobbe) disclosed to the Officers' Club at Auckland

## Defence

on April 30 the measures that the Government propose to take to restore the efficiency of the force. These include the addition of a platoon to each rifle battalion, a troop to each mounted rifle squadron, and a mortar to each machine-gun company ; the development of the air force by the purchase of a number of new machines of advanced trainer type ; the strengthening of the coast and anti-aircraft defences ; the grant of pay for home training ; and the issue of boots to all ranks. Commenting on the proposals, Mr. Cobbe said that it must not be forgotten that New Zealand to-day was practically defenceless. All that was being done was to provide the Dominion with protection in the event of any emergency. It was wrong for anyone to view the Government's plans in the light of stimulating war. After all, a man locked the door of his house or business premises, not expecting a robbery, but in order to provide a measure of protection against robbery. That was what New Zealand was doing in strengthening her defence forces. New Zealand was more than ever dependent upon the sense of patriotic duty of the country at large to ensure that the strength of the force was equal to the establishment.

That even Liberal opinion is not disturbed at the re-armament proposals is evident from the comment of the Christchurch *Times* :

We have fallen far short of perfection in this matter, and some recent discussions have brought it home to us that war is just as likely to occur in the Pacific as in other parts of the world. Unless the prospects of a continuance of peace improve, we may again have to resort to the system of universal military training, with or without the proviso that men ordered into training in New Zealand shall not be compelled to serve overseas. After the World War, it was supposed that there would be no further necessity for trained forces for many years to come, and the Dominion seized the opportunity for economy in her system of defence. But it has to be realised that the possibility of war exists now, just as it did prior to 1914.

New Zealand.

June, 1934.

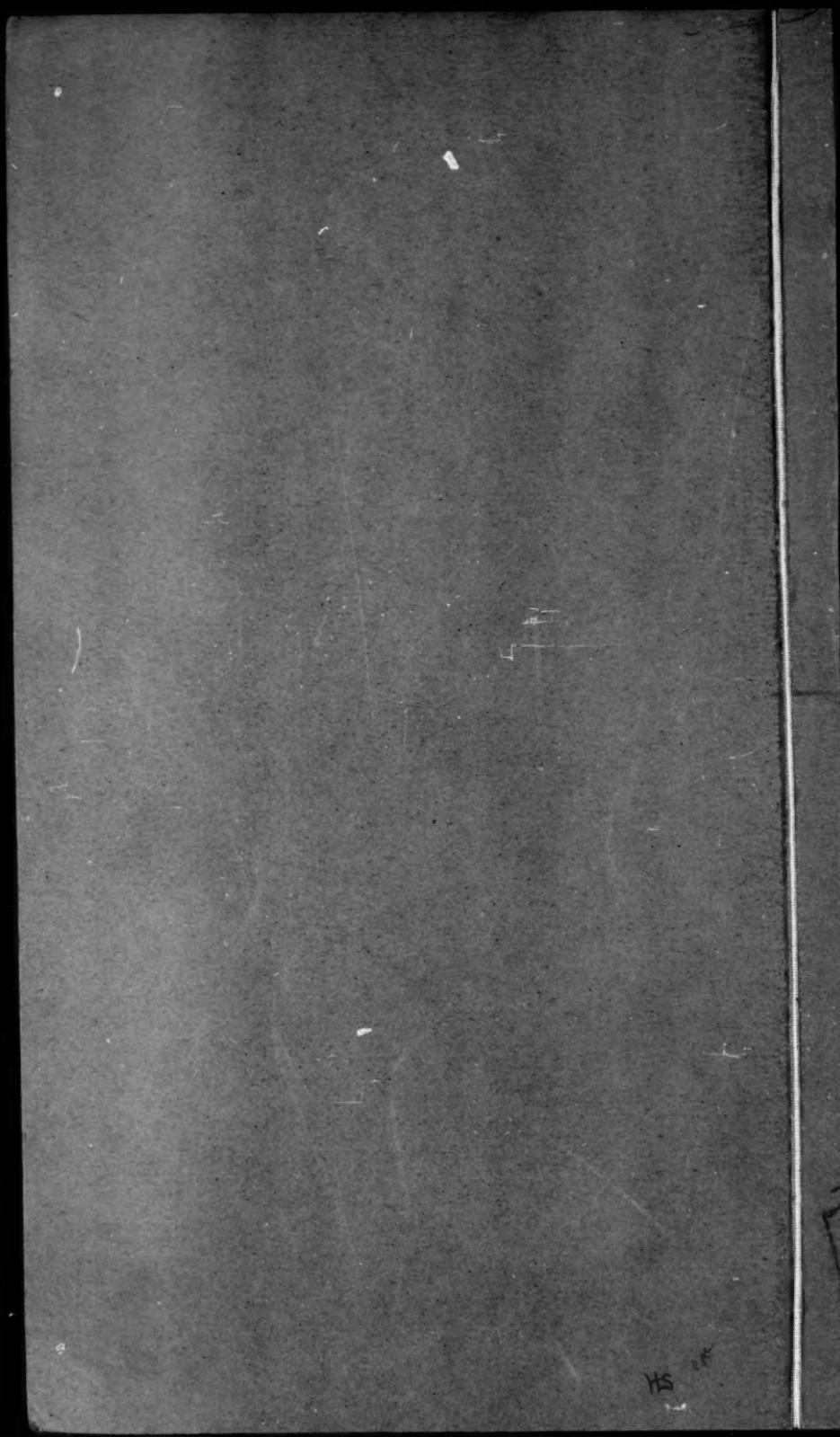
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THE ROUND TABLE is a co-operative enterprise conducted by people who dwell in all parts of the British Commonwealth, and whose aim is to publish once a quarter a comprehensive review of Imperial politics, free from the bias of local party issues. The affairs of THE ROUND TABLE in each portion of the Commonwealth are in the hands of local residents who are responsible for all articles on the politics of their own country. It is hoped that in this way THE ROUND TABLE will reflect the current opinions of all parts about Imperial problems, and at the same time present a survey of them as a whole. While no article will be published in the interest of any political party, articles may from time to time be published explaining the standpoint of particular parties or sections of opinion. In such cases, however, the character of the article will be made clear by an introductory note.





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